Steel Racks from China

Investigation Nos. 701-TA-608 and 731-TA-1420 (Preliminary)

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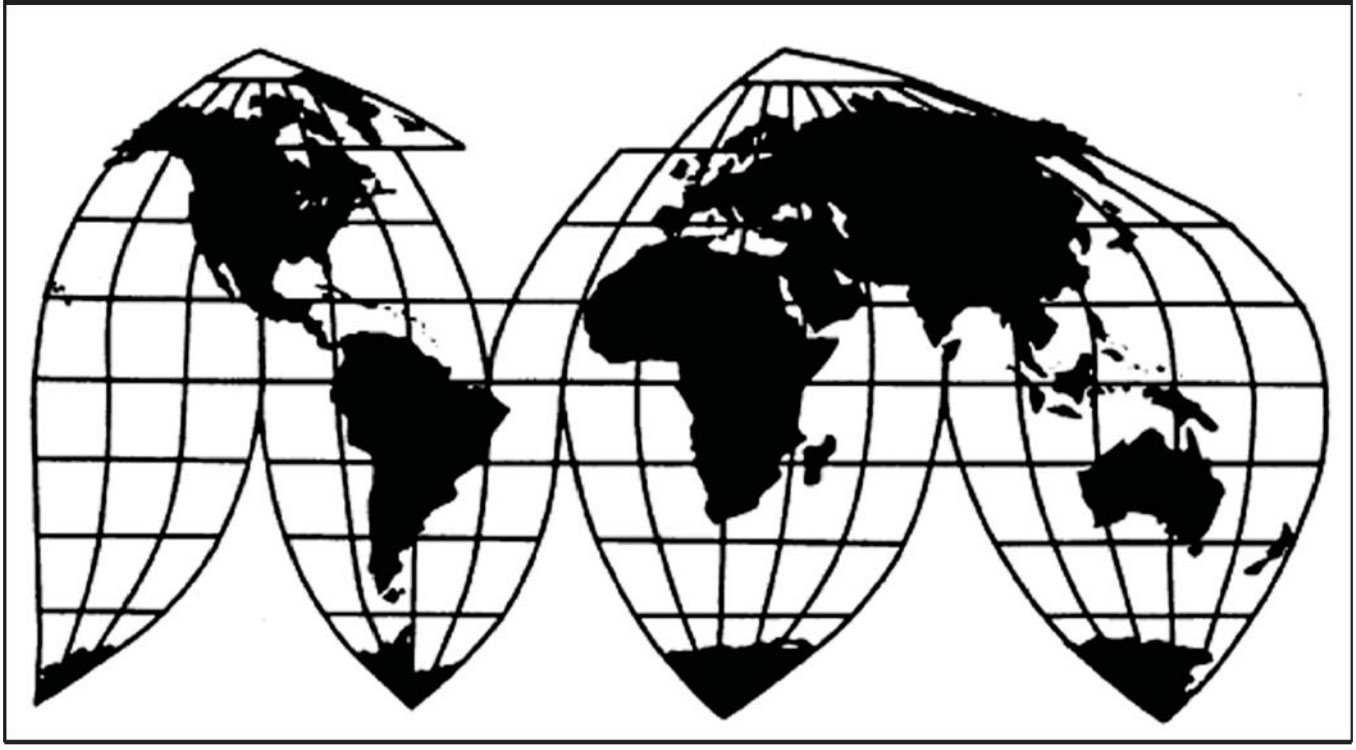
U.S. International Trade Commission



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U.S. International Trade Commission

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Note.—Information that would reveal confidential operations of individual concerns may not be published. Such information is identified by brackets or by parallel lines in confidential reports and is deleted and replaced with asterisks in public reports.

UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigation Nos. 701-TA-608 and 731-TA-1420 (Preliminary)

Steel Racks from China

DETERMINATIONS

On the basis of the record[1] developed in the subject investigations, the United States International Trade Commission ("Commission") determines, pursuant to the Tariff Act of 1930 ("the Act"), that there is a reasonable indication that an industry in the United States is materially injured by reason of imports of steel racks from China that are alleged to be sold in the United States at less than fair value ("LTFV") and to be subsidized by the government of China.[2] [3]

COMMENCEMENT OF FINAL PHASE INVESTIGATIONS

Pursuant to section 207.18 of the Commission's rules, the Commission also gives notice of the commencement of the final phase of its investigations. The Commission will issue a final phase notice of scheduling, which will be published in the *Federal Register* as provided in section 207.21 of the Commission's rules, upon notice from the U.S. Department of Commerce ("Commerce") of affirmative preliminary determinations in the investigations under sections 703(b) or 733(b) of the Act, or, if the preliminary determinations are negative, upon notice of affirmative final determinations in those investigations under sections 705(a) or 735(a) of the Act. Parties that filed entries of appearance in the preliminary phase of the investigations need not enter a separate appearance for the final phase of the investigations. Industrial users, and, if the merchandise under investigation is sold at the retail level, representative consumer organizations have the right to appear as parties in Commission antidumping and countervailing duty investigations. The Secretary will prepare a public service list containing the names and addresses of all persons, or their representatives, who are parties to the investigations.

BACKGROUND

On June 20, 2018, the Coalition for Fair Rack Imports[4] filed petitions with the Commission and Commerce, alleging that an industry in the United States is materially injured

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[1] The record is defined in sec. 207.2(f) of the Commission's Rules of Practice and Procedure (19 CFR 207.2(f)).

[2] *Steel Racks From the People's Republic of China: Initiation of Less-Than-Fair-Value Investigation* 83 FR 33195 (July 17, 2018) and *Certain Steel Racks From the People's Republic of China: Initiation of Countervailing Duty Investigation* 83 FR 33201 (July 17, 2018).

[3] Commissioner Meredith M. Broadbent not participating.

[4] Members of the Coalition are Bulldog Rack Company, Weirton, West Virginia; Hannibal Industries, Inc., Los Angeles, California; Husky Rack and Wire, Denver, North Carolina; Ridg-U-Rak, Inc., North East, Pennsylvania; SpaceRAK, A Division of Heartland Steel Products, Inc., Marysville, Michigan; Speedrack Products Group, Ltd., Sparta, Michigan; Steel King Industries, Inc., Stevens Point, Wisconsin;

or threatened with material injury by reason of subsidized imports of steel racks from China and LTFV imports of steel racks from China. Accordingly, effective June 20, 2018, the Commission, pursuant to sections 703(a) and 733(a) of the Act (19 U.S.C. 1671b(a) and 1673b(a)), instituted countervailing duty investigation No. 701-TA-608 and antidumping duty investigation No. 731-TA-1420 (Preliminary).

Notice of the institution of the Commission's investigations and of a public conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the *Federal Register* of June 26, 2018 (83 FR 29822). The conference was held in Washington, DC, on July 11, 2018, and all persons who requested the opportunity were permitted to appear in person or by counsel.

Tri-Boro Shelving & Partition Corp., Farmville, Virginia; and UNARCO Material Handling, Inc., Springfield, Tennessee.

Views of the Commission

Based on the record in the preliminary phase of these investigations, we determine that there is a reasonable indication that an industry in the United States is materially injured by reason of imports of steel racks that are allegedly sold in the United States at less than fair value and imports of the subject merchandise from China that are allegedly subsidized by the government of China.

I. The Legal Standard for Preliminary Determinations

The legal standard for preliminary antidumping and countervailing duty determinations requires the Commission to determine, based upon the information available at the time of the preliminary determinations, whether there is a reasonable indication that a domestic industry is materially injured or threatened with material injury, or that the establishment of an industry is materially retarded, by reason of the allegedly unfairly traded imports.[1] In applying this standard, the Commission weighs the evidence before it and determines whether "(1) the record as a whole contains clear and convincing evidence that there is no material injury or threat of such injury; and (2) no likelihood exists that contrary evidence will arise in a final investigation."[2]

II. Background

The Coalition for Fair Rack Imports, a trade association whose members are domestic producers of the domestic like product,[3] filed the petitions in these investigations on June 20, 2018. Petitioner appeared at the staff conference and submitted a postconference brief.

Several respondent entities participated in these investigations. United Material Handling, Inc. ("UMH") and JS Products, Inc. ("JS Products"), importers of subject merchandise, appeared at the staff conference and submitted postconference briefs. Several other respondent parties did not participate in the conference but submitted postconference briefs, including Store Supply Warehouse LLC ("Store Supply"), an importer of subject merchandise; Eagle Industrial Group Inc. ("Eagle"), an importer of subject merchandise; Martins Industries, Inc. ("Martins"), an importer of subject merchandise; and Marketing Solutions, Inc. ("MSI"), an

[1] 19 U.S.C. §§ 1671b(a), 1673b(a) (2000); *see also American Lamb Co. v. United States*, 785 F.2d 994, 1001-04 (Fed. Cir. 1986); *Aristech Chem. Corp. v. United States, 2*0 CIT 353, 354-55 (1996). No party argues that the establishment of an industry in the United States is materially retarded by the allegedly unfairly traded imports.

[2] *American Lamb Co*., 785 F.2d at 1001; *see also Texas Crushed Stone Co. v. United States*, 35 F.3d 1535, 1543 (Fed. Cir. 1994).

[3] Petitioner's members are Bulldog Rack Company, Weirton, West Virginia; Hannibal Industries, Inc., Los Angeles, California; Husky Rack and Wire, Denver, North Carolina; Ridg-U-Rak, Inc., North East, Pennsylvania; SpaceRAK, A Division of Heartland Steel Products, Inc., Marysville, Michigan; Speedrack Products Group, Ltd., Sparta, Michigan; Steel King Industries, Inc., Stevens Point, Wisconsin; Tri-Boro Shelving & Partition Corp., Farmville, Virginia; and UNARCO Material Handling, Inc., Springfield, Tennessee.

importer of subject merchandise, and Xiamen Yiree Display Fixtures Co., Ltd. ("Yiree"), an exporter of subject merchandise, (collectively "RPPD Respondents").[4]

U.S. industry data are based on the questionnaire responses of ten firms that accounted for the majority of U.S. production of steel racks during 2017. U.S. import data are based on questionnaire responses of thirteen importers and five foreign producers.[5] The Commission received responses to its foreign producer questionnaires from five Chinese firms, which estimated that they accounted for virtually all of U.S. imports of steel racks from China in 2017.[6]

III. Domestic Like Product

In determining whether there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of imports of the subject merchandise, the Commission first defines the "domestic like product" and the "industry."[7] Section 771(4)(A) of the Tariff Act of 1930, as amended ("the Tariff Act"), defines the relevant domestic industry as the "producers as a whole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product."[8] In turn, the Tariff Act defines "domestic like product" as "a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation."[9]

The decision regarding the appropriate domestic like product(s) in an investigation is a factual determination, and the Commission has applied the statutory standard of "like" or "most similar in characteristics and uses" on a case-by-case basis.[10] No single factor is

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[4] It is not clear whether several respondents are, in fact, importers of subject merchandise because, as discussed in Section III, it is not clear whether the products imported by them are within the scope.

[5] Confidential Report ("CR") at I-5; Public Report ("PR") at I-4. The quantity of U.S. imports of steel racks is based on responding foreign producers' exports to the United States, and the value is derived from the average unit values ("AUVs") of responding U.S. importers' imports of steel racks from China. *Id.* Steel racks enter the United States under several basket categories limiting the usefulness of official import statistics. *Id.*

[6] CR at VII-3; PR at VII-3.

[7] 19 U.S.C. § 1677(4)(A).

[8] 19 U.S.C. § 1677(4)(A).

[9] 19 U.S.C. § 1677(10).

[10] *See*, *e.g.*, *Cleo Inc. v. United States*, 501 F.3d 1291, 1299 (Fed. Cir. 2007); *NEC Corp. v. Department of Commerce*, 36 F. Supp. 2d 380, 383 (Ct. Int'l Trade 1998); *Nippon Steel Corp. v. United States*, 19 CIT 450, 455 (1995); *Torrington Co. v. United States*, 747 F. Supp. 744, 749 n.3 (Ct. Int'l Trade 1990), *aff'd*, 938 F.2d 1278 (Fed. Cir. 1991) ("every like product determination 'must be made on the particular record at issue' and the 'unique facts of each case'"). The Commission generally considers a number of factors including the following: (1) physical characteristics and uses; (2) interchangeability; (3) channels of distribution; (4) customer and producer perceptions of the products; (5) common manufacturing facilities, production processes, and production employees; and, where appropriate, (6) (Continued…)

dispositive, and the Commission may consider other factors it deems relevant based on the facts of a particular investigation.[11] The Commission looks for clear dividing lines among possible like products and disregards minor variations.[12] Although the Commission must accept Commerce's determination as to the scope of the imported merchandise that is subsidized and/or sold at less than fair value,[13] the Commission determines what domestic product is like the imported articles Commerce has identified.[14] The Commission may, where appropriate, include domestic articles in the domestic like product in addition to those described in the scope.[15]

A. Scope and Product Description

In its notice of initiation, Commerce defined the imported merchandise within the scope of these investigations as follows:

> The merchandise covered by this investigation is steel racks and parts thereof, assembled, to any extent, or unassembled, including but not limited to, vertical components (*e.g.*, uprights, posts, or columns), horizontal or diagonal components (*e.g.*, arms or beams), braces, frames, locking devices (*i.e.*, end plates and beam connectors), and accessories (including, but not limited to, rails, skid channels, skid rails, drum/coil beds, fork clearance bars, pallet supports, column and post protectors, end row and end

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price. *See Nippon*, 19 CIT at 455 n.4; *Timken Co. v. United States*, 913 F. Supp. 580, 584 (Ct. Int'l Trade 1996).

[11] *See*, *e.g.*, S. Rep. No. 96-249 at 90-91 (1979).

[12] *See*, *e.g.*, *Nippon*, 19 CIT at 455; *Torrington*, 747 F. Supp. at 748-49*; see also* S. Rep. No. 96-249 at 90-91 (Congress has indicated that the like product standard should not be interpreted in "such a narrow fashion as to permit minor differences in physical characteristics or uses to lead to the conclusion that the product and article are not 'like' each other, nor should the definition of 'like product' be interpreted in such a fashion as to prevent consideration of an industry adversely affected by the imports under consideration.").

[13] *See*, *e.g.*, *USEC, Inc. v. United States*, 34 Fed. App'x 725, 730 (Fed. Cir. 2002) ("The ITC may not modify the class or kind of imported merchandise examined by Commerce."); *Algoma Steel Corp. v. United States,* 688 F. Supp. 639, 644 (Ct. Int'l Trade 1988), *aff'd*, 865 F.3d 240 (Fed. Cir.), *cert. denied*, 492 U.S. 919 (1989).

[14] *Hosiden Corp. v. Advanced Display Mfrs.,* 85 F.3d 1561, 1568 (Fed. Cir. 1996) (the Commission may find a single like product corresponding to several different classes or kinds defined by Commerce); *Cleo*, 501 F.3d at 1298 n.1 ("Commerce's {scope} finding does not control the Commission's {like product} determination."); *Torrington*, 747 F. Supp. at 748-52 (affirming the Commission's determination defining six like products in investigations where Commerce found five classes or kinds).

[15] *See*, *e.g.*, *Pure Magnesium from China and Israel*, Inv. Nos. 701-TA-403 and 731-TA-895-96 (Final), USITC Pub. 3467 at 8 n.34 (Nov. 2001); *Torrington,* 747 F. Supp. at 748-49 (holding that the Commission is not legally required to limit the domestic like product to the product advocated by the petitioner, co-extensive with the scope).

aisle protectors, corner guards, row spacers, and wall ties). Subject steel racks and parts thereof are made of steel, including, but not limited to, cold and/or hot-formed steel, regardless of the type of steel used to produce the components and may, or may not, include locking tabs, slots, or bolted, clamped, or welded connections.

Steel rack components can be assembled into structures of various dimensions and configurations by welding, bolting, clipping, or with the use of devices such as clips, end plates, and beam connectors, including, but not limited to the following configurations: (1) Racks with upright frames perpendicular to the aisles that are independently adjustable, with positive locking beams parallel to the aisle spanning the upright frames with braces; and (2) cantilever racks with vertical components parallel to the aisle and cantilever beams or arms connected to the vertical components perpendicular to the aisle. Steel racks may be referred to as pallet racks, storage racks, stacker racks, retail racks, pick modules, selective racks, or cantilever racks and may incorporate moving components and be referred to as pallet-flow racks, carton-flow racks, push-back racks, movable-shelf racks, drive-in racks, and drive-through racks. While steel racks may be made to ANSI MH16.l or ANSI MH16.3 standards, all steel racks and parts thereof meeting the description set out herein are covered by the scope of this investigation, whether or not produced according to a particular standard.

The scope includes all steel racks and parts thereof meeting the description above, regardless of
(1) dimensions, weight, strength, gauge, or load rating;
(2) vertical components or frame type (including structural, roll-form, or other);
(3) horizontal support or beam/brace type (including but not limited to structural, rollform, slotted, unslotted, Z-beam, C-beam, L-beam, step beam, and cantilever beam);
(4) number of supports;
(5) number of levels;
(6) surface coating, if any (including but not limited to paint, epoxy, powder coating, zinc, or other metallic coatings);
(7) shape (including but not limited to rectangular, square, corner, and cantilever);
(8) the method by which the vertical and horizontal supports connect (including but not limited to locking tabs or slots, bolting, clamping, and welding); and

(9) whether or not the steel rack has moving components (including but not limited to rails, wheels, rollers, tracks, channels, carts, and conveyors).

Subject merchandise includes merchandise matching the above description that has been finished or packaged in a third country. Finishing includes, but is not limited to, coating, painting, or assembly, including attaching the merchandise to another product, or any other finishing or assembly operation that would not remove the merchandise from the scope of the investigation if performed in the country of manufacture of the steel racks and parts thereof. Packaging includes packaging the merchandise with or without another product or any other packaging operation that would not remove the merchandise from the scope of the investigation if performed in the country of manufacture of the steel racks and parts thereof.

Steel racks and parts thereof are included in the scope of this investigation whether or not imported attached to, or included with, other parts or accessories such as wire decking, nuts, and bolts. If steel racks and parts thereof are imported attached to, or included with, such non-subject merchandise, only the steel racks and parts thereof are included in the scope.

The scope of this investigation does not cover: (1) Decks, i.e., shelving that sits on or fits into the horizontal supports to provide the horizontal storage surface of the steel racks; (2) wire shelving units, i.e., shelves made from wire that incorporate both a wire deck and wire horizontal supports (taking the place of the horizontal beams and braces) into a single piece with tubular collars that slide over the posts and onto plastic sleeves snapped on the posts to create a finished unit; (3) pins, nuts, bolts, washers, and clips used as connecting devices; and (4) non-steel components.

Specifically excluded from the scope of this investigation are any products covered by Commerce's existing antidumping and countervailing duty orders on boltless steel shelving units prepackaged for sale from the People's Republic of China. *See Boltless Steel Shelving Units Prepackaged for Sale From the People's Republic of China: Antidumping Duty Order*, 80 FR 63,741 (October 21, 2017); *Boltless Steel Shelving Units Prepackaged for Sale From the People's Republic of China: Amended Final Affirmative Countervailing Duty Determination and*

> *Countervailing Duty Order*, 80 FR 63,745 (October 21, 2017). Also excluded from the scope of this investigation are bulk-packed parts or components of boltless steel shelving units that were specifically excluded from the scope of the *Boltless Steel Shelving Orders* because such bulk-packed parts or components do not contain the steel vertical supports (*i.e.*, uprights and posts) and steel horizontal supports (*i.e.*, beams, braces) packaged together for assembly into a completed boltless steel shelving unit.
>
> Merchandise covered by this investigation is currently classified in the Harmonized Tariff Schedule of the United States (HTSUS) under the following subheadings: 7326.90.8688, 9403.20.0080, and 9403.90.8041. Subject merchandise may also enter under subheadings 7308.90.3000, 7308.90.6000, 308.90.9590, and 9403.20.0090. The HTSUS subheadings are provided for convenience and U.S. Customs purposes only. The written description of the scope is dispositive.[16]

A steel rack is a structure, consisting of hot-rolled or cold-formed steel structural components in the forms of (but is not limited to) plates, rods, angles, shapes, sections, and tubes. A steel rack is designed so that its dimensions and configurations can be adjusted as required, either with or without locking tabs or slots, and either with or without bolted, clamped, or welded connections. Certain types of steel racks may also include movable components, such as rails, wheels, rollers, tracks, channels, carts, or conveyors. A typical storage configuration consists of upright frames perpendicular to the floor that are independently adjustable, with horizontal beams spanning between the upright frames, and braces designed to support unit loads between the beams.[17]

The key technical characteristics of steel racks are their strength, load-bearing capacity, and stability, thereby enabling them to store heavy loads in readily accessible rack configurations.[18] Steel racks, sometimes referred to as "storage racks," are utilized in warehouses, order-fulfillment and distribution centers, big-box retail stores, and manufacturing facilities. The steel rack industry distinguishes between steel storage racks versus steel shelving, with storage racks being designed for holding loaded shipping pallets that are moved by fork-lift trucks, whereas shelving is typically hand-loaded.[19]

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[16] *Steel Racks From the People's Republic of China: Initiation of Less-Than-Fair-Value Investigation*, 83 Fed. Reg. 33195 (Dep't of Comm. July 17, 2018); *Steel Racks From the People's Republic of China: Initiation of Countervailing Duty Investigation*, 83 Fed. Reg. 33201 (Dep't of Comm. July 17, 2018).

[17] CR at I-12 – I-14; PR at I-10.

[18] CR at I-13; PR at I-10.

[19] CR at I-13; PR at I-11. Steel racks covered by the scope of these investigations are described by the American National Standards Institute ("ANSI") standards depending on their specific configurations, which include cantilever racks, case-flow racks, drive-in racks, drive-through racks, (Continued…)

Regardless of whether the rack is structural or roll-formed, and regardless of whether it is a relatively simple, static, selective rack or a more complex dynamic system, all steel racks are produced from the same basic materials (*e.g.*, steel) and serve the same function.[20] Columns and beams produced by cold-forming steel strip, of varying thicknesses (gauges), are typically lighter on a per-foot basis than those produced by welding of hot-rolled structural shapes (angles and sections) that are available in more limited sizes. Steel racks are available, with either structural or roll-formed components, in various configurations, or even as hybrid rack systems consisting of a structural-steel frame and roll-formed steel beams.[21]

Steel racks are manufactured to meet American National Standards Institute ("ANSI") MH16.1 (industrial steel storage racks) or ANSI MH16.3 (cantilever steel storage racks) standards. The Rack Manufacturers Institute ("RMI") provides its "R-Mark" certification that a manufacturer's industrial steel storage racks or welded wire rack decking meets the RMI-ANSI MH16.1 standard.[22] Because steel racks are manufactured to meet these standards, with many racks produced to standardized dimensions, and components produced by different manufacturers tend to be highly interchangeable, although not entirely so due to differences in dimensional tolerances.[23] In the final phase of these investigations, the Commission intends to explore to what extent components made by different manufacturers can be used in the same steel racks.

B. Parties' Arguments and Analysis

In these investigations, petitioner argues that the Commission should define a single domestic like product coextensive with the scope.[24] Several respondent parties argue that the Commission should define various separate domestic like products: Eagle argues that the Commission should define its imported residential-consumer ("RC") racks as a separate like product distinct from commercial-industrial racks;[25] JS Products argues that the Commission should define consumer steel storage racks as a separate domestic like product from warehouse/distribution steel racks;[26] Martins argues that the Commission should define the tire racks that it imports as a separate like product from subject steel racks, which it refers to as

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(…Continued)
movable-shelf racks, pallet racks, pick modules, portable racks (stacking frames), push-back racks, and stacker racks. CR at I-16 – I-18; PR at I-13 – I-14.

[20] CR at I-14 – I-15; PR at I-11 – I-12.

[21] CR at I-16; PR at I-12.

[22] The R-Mark certification is available to both domestic and foreign steel-rack manufacturers. CR at I-15 n.38; PR at I-12 n.38.

[23] CR at I-15 – I-16; PR at I-12.

[24] Petitioner Postconference Br. at 2-6.

[25] Eagle Postconference Br. at 4. Accordingly, Eagle contends that the U.S. RC rack industry consists of one company, Hallowell. *Id.* at 15.

[26] JS Products Postconference Br. at 2-12.

pallet racks;[27] RPPD Respondents argue that the Commission should define the retail point-of-purchase displays and custom store fixtures ("RPPD") that they manufacture and import as a separate like product from the subject steel racks;[28] and Store Supply argues that the Commission should define a separate domestic like product consisting of tubular and wire steel retail racks and accessories ("TWSRRA").[29]

Based on the record in the preliminary phase of these investigations, we define a single domestic like product consisting of steel racks coextensive with the scope in these investigations.[30] While respondents frame their arguments as seeking definitions of various separate like products, each of these proposals are based on their interpretation that the scope unintentionally includes their respective imported products. It is not clear if these imported products are within the scope and/or domestically produced. As such, respondents' arguments are more accurately characterized as scope exclusion issues, which should be directed to Commerce and not the Commission. Moreover, respondents base their specific claims primarily on distinctions between their foreign produced products and domestically produced steel racks. The statute, however, defines the "domestic like product" as "a product which is like, or in the absence of like, most similar in characteristics and uses with the article subject to an investigation."[31] Emphasizing the statute's mandate to identify a domestic item that is like or most similar to subject imports, the Commission has reasoned that defining a domestic like product that is not produced domestically would ignore this mandate and contradict the

[27] Martins Postconference Br. at 1-4. Accordingly, it contends that the U.S. tire rack industry consists of Ohio Rack, Inc. and Tier Rack Corporation. *Id.* at 15.

[28] RPPD Respondents Postconference Br. at 1. RPPD Respondents argue that the domestic RPPD industry consists of U.S. producers of RPPD and that there is no overlap between the RPPD industry and the producers of subject steel racks. *Id.* at 4.

[29] Store Supply Postconference Br. at 6-13.

[30] Petitioner argues that there are no clear dividing lines between structural and roll-form racks and parts of steel racks. Petitioner Postconference Br. at 2-6. Roll-form rack components are typically made with light-gauge, hot-rolled coils, while structural steel rack components are assembled by welding hot-rolled steel channel and angle sections, which makes them thicker and more resistant to damage than the equivalent roll-formed shapes. CR at I-19 – I-20; PR at I-14 – I-15. The record in these investigations suggests that there are no clear dividing lines between structural and roll-form steel racks, or parts of steel racks, that would warrant defining separate domestic like products. All steel racks and parts are made from the same basic raw material by the same employees using mostly the same manufacturing processes and same equipment. Although structural steel racks are made from channels of steel, which makes it more durable with a greater load bearing capacity, all steel racks are used for storage in industrial and commercial applications by the same end users. Accordingly, notwithstanding these differences, both types of racks can be used interchangeably and can even be used in the same applications in a hybrid steel rack storage system. *See* CR at I-13 – I-16; PR at I-11 – I-13; Conference Transcript ("Tr.") at 23, 64-68 (Neal); Petitioner Postconference Br. at 3-5; Petition at Exhibits I-9, I-11.

[31] 19 U.S.C. § 1677(10).

statute.[32] For products that may be domestically produced, there is limited information about the proposed separate domestic like products, and we therefore find no basis to define separate domestic like products for purposes of the preliminary phase of these investigations.[33]

IV. Domestic Industry and Related Parties

The domestic industry is defined as the domestic "producers as a whole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product."[34] In defining the domestic industry, the Commission's general practice has been to include in the industry producers of all domestic production of the like product, whether toll-produced, captively consumed, or sold in the domestic merchant market.

These investigations raise the issue of whether appropriate circumstances exist to exclude any domestic producers from the domestic industry pursuant to Section 771(4)(B) of the Tariff Act. This provision allows the Commission, if appropriate circumstances exist, to exclude from the domestic industry producers that are related to an exporter or importer of subject merchandise or which are themselves importers.[35] Exclusion of such a producer is within the Commission's discretion based upon the facts presented in each investigation.[36]

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[32] *Certain Aluminum Extrusions from China*, Inv. Nos. 701-TA-475 and 731-TA-1177 (Review), USITC Pub. 4677 (March 2017), at 12-14; *Cold-Drawn Mechanical Tubing from China and India*, Inv. Nos. 701-TA-576-577 (Final), USITC Pub. 4755 (Jan. 2018), at 13-15.

[33] We invite the parties to raise any proposed separate domestic like products with sufficient clarity, including any available information regarding domestic production, to enable the Commission to gather necessary evidence to analyze any domestic like product issues in comments on draft questionnaires in any final phase of these investigations.

[34] 19 U.S.C. § 1677(4)(A).

[35] *See Torrington Co. v. United States*, 790 F. Supp. 1161, 1168 (Ct. Int'l Trade 1992), *aff'd without opinion*, 991 F.2d 809 (Fed. Cir. 1993); *Sandvik AB v. United States*, 721 F. Supp. 1322, 1331-32 (Ct. Int'l Trade 1989), *aff'd mem.,* 904 F.2d 46 (Fed. Cir. 1990); *Empire Plow Co. v. United States*, 675 F. Supp. 1348, 1352 (Ct. Int'l Trade 1987).

[36] The primary factors the Commission has examined in deciding whether appropriate circumstances exist to exclude a related party include the following:

(1) the percentage of domestic production attributable to the importing producer;

(2) the reason the U.S. producer has decided to import the product subject to investigation (whether the firm benefits from the LTFV sales or subsidies or whether the firm must import in order to enable it to continue production and compete in the U.S. market);

(3) whether inclusion or exclusion of the related party will skew the data for the rest of the industry;

(4) the ratio of import shipments to U.S. production for the imported product; and

(5) whether the primary interest of the importing producer lies in domestic production or importation. *Changzhou Trina Solar Energy Co. v. USITC*, 100 F. Supp.3d 1314, 1326-31 (Ct. Int'l. Trade 2015); see *also Torrington Co. v. United States*, 790 F. Supp. at 1168.

In these investigations, one domestic producer, ***, imported subject merchandise during the period of investigation;[37] therefore, it is a related party. No party argues that it should be excluded from the domestic industry. We examine below whether appropriate circumstances exist to exclude *** from the domestic industry.

*** was the *** domestic producer in 2017, accounting for *** percent of domestic production that year.[38] It imported *** pounds of subject merchandise in the January through March 2018 ("interim") period.[39] These imports were the equivalent of *** percent of *** domestic production during that time.[40] *** indicated that it imported subject merchandise due to "***."[41] *** the petitions.[42]

We find that appropriate circumstances do not exist to exclude *** from the domestic industry. First, its primary interest appears to lie in domestic production. It only imported subject merchandise in interim 2018, and did so in part for cost reasons.[43] Moreover, notwithstanding that it imported subject merchandise in interim 2018, it also reported significant capital expenditures during that time.[44] Second, there is no indication that it benefitted from its imports of subject merchandise.[45] To the contrary, *** reported that subject imports caused it to ***,[46] and it *** the petitions.[47] Finally, no party has argued for *** to be excluded from the domestic industry.

Thus, consistent with our definition of the domestic like product, and in the absence of arguments otherwise, we define the domestic industry as all producers of steel racks.

V. Negligible Imports

Pursuant to Section 771(24) of the Tariff Act, imports from a subject country of merchandise corresponding to a domestic like product that account for less than 3 percent of all such merchandise imported into the United States during the most recent 12 months for which data are available preceding the filing of the petition shall be deemed negligible.[48]

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[37] CR/PR at Table III-8.

[38] CR/PR at Table III-1.

[39] CR/PR at Table III-8.

[40] CR/PR at Table III-8.

[41] CR/PR at Table III-8.

[42] CR/PR at Table III-1.

[43] *** capacity throughout the period of investigation; its capacity utilization rate ***. Specifically, it reported that its capacity utilization rate was only *** percent in interim 2018. CR/PR at Table III-4.

[44] CR/PR at Table VI-5.

[45] *** gross profits, operating income, and net income were all *** in interim 2018 than in interim 2017. CR/PR at Table VI-3.

[46] CR/PR at Table VI-8.

[47] CR/PR at Table III-1.

[48] 19 U.S.C. §§ 1671b(a), 1673b(a), 1677(24)(A)(i), 1677(24)(B); *see also* 15 C.F.R. § 2013.1 (developing countries for purposes of 19 U.S.C. § 1677(36)).

Subject imports from China accounted for *** percent of total imports of steel by quantity during June 2017 through May 2018, the 12 months preceding the filing of the petition.[49] Because subject imports exceed the applicable threshold, we find that imports from China are not negligible.

VI. Reasonable Indication of Material Injury by Reason of Subject Imports

A. Legal Standard

In the preliminary phase of antidumping and countervailing duty investigations, the Commission determines whether there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of the imports under investigation.[50] In making this determination, the Commission must consider the volume of subject imports, their effect on prices for the domestic like product, and their impact on domestic producers of the domestic like product, but only in the context of U.S. production operations.[51] The statute defines "material injury" as "harm which is not inconsequential, immaterial, or unimportant."[52] In assessing whether there is a reasonable indication that the domestic industry is materially injured by reason of subject imports, we consider all relevant economic factors that bear on the state of the industry in the United States.[53] No single factor is dispositive, and all relevant factors are considered "within the context of the business cycle and conditions of competition that are distinctive to the affected industry."[54]

Although the statute requires the Commission to determine whether there is a reasonable indication that the domestic industry is "materially injured by reason of" unfairly traded imports,[55] it does not define the phrase "by reason of," indicating that this aspect of the injury analysis is left to the Commission's reasonable exercise of its discretion.[56] In identifying a causal link, if any, between subject imports and material injury to the domestic industry, the Commission examines the facts of record that relate to the significance of the volume and price effects of the subject imports and any impact of those imports on the condition of the domestic

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[49] CR/PR at Table IV-3.

[50] 19 U.S.C. §§ 1671b(a), 1673b(a). The Trade Preferences Extension Act of 2015, Pub. L. 114-27, amended the provisions of the Tariff Act pertaining to Commission determinations of reasonable indication of material injury and threat of material injury by reason of subject imports in certain respects.

[51] 19 U.S.C. § 1677(7)(B). The Commission "may consider such other economic factors as are relevant to the determination" but shall "identify each {such} factor ... {a}nd explain in full its relevance to the determination." 19 U.S.C. § 1677(7)(B).

[52] 19 U.S.C. § 1677(7)(A).

[53] 19 U.S.C. § 1677(7)(C)(iii).

[54] 19 U.S.C. § 1677(7)(C)(iii).

[55] 19 U.S.C. §§ 1671b(a), 1673b(a).

[56] *Angus Chemical Co. v. United States*, 140 F.3d 1478, 1484-85 (Fed. Cir. 1998) ("{T}he statute does not 'compel the commissioners' to employ {a particular methodology}."), *aff'g* 944 F. Supp. 943, 951 (Ct. Int'l Trade 1996).

industry. This evaluation under the "by reason of" standard must ensure that subject imports are more than a minimal or tangential cause of injury and that there is a sufficient causal, not merely a temporal, nexus between subject imports and material injury.[57]

In many investigations, there are other economic factors at work, some or all of which may also be having adverse effects on the domestic industry. Such economic factors might include nonsubject imports; changes in technology, demand, or consumer tastes; competition among domestic producers; or management decisions by domestic producers. The legislative history explains that the Commission must examine factors other than subject imports to ensure that it is not attributing injury from other factors to the subject imports, thereby inflating an otherwise tangential cause of injury into one that satisfies the statutory material injury threshold.[58] In performing its examination, however, the Commission need not isolate the injury caused by other factors from injury caused by unfairly traded imports.[59] Nor does

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[57] The Federal Circuit, in addressing the causation standard of the statute, has observed that "{a}s long as its effects are not merely incidental, tangential, or trivial, the foreign product sold at less than fair value meets the causation requirement." *Nippon Steel Corp. v. USITC*, 345 F.3d 1379, 1384 (Fed. Cir. 2003). This was re-affirmed in *Mittal Steel Point Lisas Ltd. v. United States*, 542 F.3d 867, 873 (Fed. Cir. 2008), in which the Federal Circuit, quoting *Gerald Metals, Inc. v. United States*, 132 F.3d 716, 722 (Fed. Cir. 1997), stated that "this court requires evidence in the record 'to show that the harm occurred "by reason of" the LTFV imports, not by reason of a minimal or tangential contribution to material harm caused by LTFV goods.'" *See also Nippon Steel Corp. v. United States*, 458 F.3d 1345, 1357 (Fed. Cir. 2006); *Taiwan Semiconductor Industry Ass'n v. USITC*, 266 F.3d 1339, 1345 (Fed. Cir. 2001).

[58] Statement of Administrative Action ("SAA") to the Uruguay Round Agreements Act ("URAA"), H.R. Rep. 103-316, Vol. I at 851-52 (1994) ("{T}he Commission must examine other factors to ensure that it is not attributing injury from other sources to the subject imports."); S. Rep. 96-249 at 75 (1979) (the Commission "will consider information which indicates that harm is caused by factors other than less-than-fair-value imports."); H.R. Rep. 96-317 at 47 (1979) ("in examining the overall injury being experienced by a domestic industry, the ITC will take into account evidence presented to it which demonstrates that the harm attributed by the petitioner to the subsidized or dumped imports is attributable to such other factors;" those factors include "the volume and prices of nonsubsidized imports or imports sold at fair value, contraction in demand or changes in patterns of consumption, trade restrictive practices of and competition between the foreign and domestic producers, developments in technology and the export performance and productivity of the domestic industry"); *accord Mittal Steel*, 542 F.3d at 877.

[59] SAA at 851-52 ("{T}he Commission need not isolate the injury caused by other factors from injury caused by unfair imports."); *Taiwan Semiconductor Industry Ass'n* , 266 F.3d at 1345. ("{T}he Commission need not isolate the injury caused by other factors from injury caused by unfair imports ... . Rather, the Commission must examine other factors to ensure that it is not attributing injury from other sources to the subject imports." (emphasis in original)); *Asociacion de Productores de Salmon y Trucha de Chile AG v. United States*, 180 F. Supp. 2d 1360, 1375 (Ct. Int'l Trade 2002) ("{t}he Commission is not required to isolate the effects of subject imports from other factors contributing to injury" or make "bright-line distinctions" between the effects of subject imports and other causes.); *see also Softwood Lumber from Canada*, Inv. Nos. 701-TA-414 and 731-TA-928 (Remand), USITC Pub. 3658 at 100-01 (Dec. 2003) (Commission recognized that "{i}f an alleged other factor is found not to have or threaten to have

(Continued…)

the "by reason of" standard require that unfairly traded imports be the "principal" cause of injury or contemplate that injury from unfairly traded imports be weighed against other factors, such as nonsubject imports, which may be contributing to overall injury to an industry.[60] It is clear that the existence of injury caused by other factors does not compel a negative determination.[61]

Assessment of whether material injury to the domestic industry is "by reason of" subject imports "does not require the Commission to address the causation issue in any particular way" as long as "the injury to the domestic industry can reasonably be attributed to the subject imports" and the Commission "ensure{s} that it is not attributing injury from other sources to the subject imports."[62] Indeed, the Federal Circuit has examined and affirmed various Commission methodologies and has disavowed "rigid adherence to a specific formula."[63]

The Federal Circuit's decisions in *Gerald Metals*, *Bratsk,* and *Mittal Steel* all involved cases in which the relevant "other factor" was the presence in the market of significant volumes of price-competitive nonsubject imports. The Commission interpreted the Federal Circuit's guidance in *Bratsk* as requiring it to apply a particular additional methodology following its finding of material injury in cases involving commodity products and a significant market presence of price-competitive nonsubject imports.[64] The additional "replacement/benefit" test looked at whether nonsubject imports might have replaced subject imports without any benefit to the U.S. industry. The Commission applied that specific additional test in subsequent cases, including the *Carbon and Certain Alloy Steel Wire Rod from Trinidad and Tobago* determination that underlies the *Mittal Steel* litigation.

(…Continued)
injurious effects to the domestic industry, *i.e*., it is not an 'other causal factor,' then there is nothing to further examine regarding attribution to injury"), *citing Gerald Metals,* 132 F.3d at 722 (the statute "does not suggest that an importer of LTFV goods can escape countervailing duties by finding some tangential or minor cause unrelated to the LTFV goods that contributed to the harmful effects on domestic market prices.").

[60] S. Rep. 96-249 at 74-75; H.R. Rep. 96-317 at 47.

[61] *See Nippon*, 345 F.3d at 1381 ("an affirmative material-injury determination under the statute requires no more than a substantial-factor showing. That is, the 'dumping' need not be the sole or principal cause of injury.").

[62] *Mittal Steel*, 542 F.3d at 877-78; *see also id.* at 873 ("While the Commission may not enter an affirmative determination unless it finds that a domestic industry is materially injured 'by reason of' subject imports, the Commission is not required to follow a single methodology for making that determination ... {and has} broad discretion with respect to its choice of methodology.") *citing United States Steel Group v. United States*, 96 F.3d 1352, 1362 (Fed. Cir. 1996) and S. Rep. 96-249 at 75. In its decision in *Swiff-Train v. United States*, 793 F.3d 1355 (Fed. Cir. 2015), the Federal Circuit affirmed the Commission's causation analysis as comporting with the Court's guidance in *Mittal*.

[63] *Nucor Corp. v. United States*, 414 F.3d 1331, 1336, 1341 (Fed. Cir. 2005); *see also Mittal Steel*, 542 F.3d at 879 ("*Bratsk* did not read into the antidumping statute a Procrustean formula for determining whether a domestic injury was 'by reason' of subject imports.").

[64] *Mittal Steel*, 542 F.3d at 875-79.

Mittal Steel clarifies that the Commission's interpretation of *Bratsk* was too rigid and makes clear that the Federal Circuit does not require the Commission to apply an additional test nor any one specific methodology; instead, the court requires the Commission to have "evidence in the record 'to show that the harm occurred 'by reason of' the LTFV imports,'" and requires that the Commission not attribute injury from nonsubject imports or other factors to subject imports.[65] Accordingly, we do not consider ourselves required to apply the replacement/benefit test that was included in Commission opinions subsequent to *Bratsk*.

The progression of *Gerald Metals*, *Bratsk*, and *Mittal Steel* clarifies that, in cases involving commodity products where price-competitive nonsubject imports are a significant factor in the U.S. market, the Court will require the Commission to give full consideration, with adequate explanation, to non-attribution issues when it performs its causation analysis.[66]

The question of whether the material injury threshold for subject imports is satisfied notwithstanding any injury from other factors is factual, subject to review under the substantial evidence standard.[67] Congress has delegated this factual finding to the Commission and the courts have recognized the agency's institutional expertise in resolving injury issues.[68]

B. Data Issues

In the preliminary phase of these investigations, the Commission issued importer questionnaires to 190 firms believed to be importers of subject steel racks, but received usable responses from only 13 companies.[69] In addition, the Commission received responses to its foreign producer questionnaires from five Chinese firms.[70] Petitioner argues that the Commission should rely upon its estimates of subject imports based on official import statistics.

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[65] *Mittal Steel*, 542 F.3d at 873 (quoting from *Gerald Metals*, 132 F.3d at 722), 875-79 & n.2 (recognizing the Commission's alternative interpretation of *Bratsk* as a reminder to conduct a non-attribution analysis).

[66] To that end, after the Federal Circuit issued its decision in *Bratsk*, the Commission began to present published information or send out information requests in the final phase of investigations to producers in nonsubject countries that accounted for substantial shares of U.S. imports of subject merchandise (if, in fact, there were large nonsubject import suppliers). In order to provide a more complete record for the Commission's causation analysis, these requests typically seek information on capacity, production, and shipments of the product under investigation in the major source countries that export to the United States. The Commission plans to continue utilizing published or requested information in the final phase of investigations in which there are substantial levels of nonsubject imports.

[67] We provide in our respective discussions below a full analysis of other factors alleged to have caused any material injury experienced by the domestic industry.

[68] *Mittal Steel*, 542 F.3d at 873; *Nippon Steel Corp*., 458 F.3d at 1350, *citing U.S. Steel Group*, 96 F.3d at 1357; S. Rep. 96-249 at 75 ("The determination of the ITC with respect to causation is ... complex and difficult, and is a matter for the judgment of the ITC.").

[69] CR/PR at IV-1. Twenty firms confirmed that they do not import steel racks, and an additional five firms reported imports of out-of-scope merchandise. *Id.*

[70] CR at VII-3; PR at VII-3.

Petitioner further asserts that questionnaire data greatly understates the volume of subject imports; in particular, it asserts that the volume of exports of steel racks reported by ***.[71] However, the usefulness of official import statistics is limited due to the fact that subject imports enter under basket categories. Therefore, for these preliminary determinations, we base the quantity of U.S. imports of steel racks on responding foreign producers' exports to the United States, and derive the value from the AUVs of responding U.S. importers' imports of steel racks from China. We recognize that there is a significant discrepancy between the reported volume of subject imports based on information in the foreign producer questionnaires and petitioner's estimate based on official import statistics.[72] We therefore invite the parties in any final phase to propose in the comments on draft importer questionnaires suggestions as to how to improve the coverage with respect to questionnaire data or how to adjust basket categories to provide reasonable and supportable estimates.

C. Conditions of Competition and the Business Cycle

The following conditions of competition inform our analysis of whether there is a reasonable indication of material injury by reason of subject imports.

1. Demand Conditions

Demand for steel racks is largely driven by broad economic growth and storage demand that increases demand for warehousing and distribution centers. The main contributing factors to demand are the construction of warehouses and e-commerce distribution centers.[73] Most responding U.S. producers and importers reported an increase in U.S. demand for steel racks since January 1, 2015.[74] Apparent U.S. consumption increased *** percentage points from 2015 to 2017 and was *** percentage points higher in interim 2018 compared to interim 2017. It was *** pounds in 2015 and *** pounds in 2016 before falling slightly to *** pounds in 2017; it was *** pounds in interim 2017 and *** pounds in interim 2018.[75] Petitioner contends that, while demand increased during the period of investigation, it has peaked and is expected to slow in the imminent future.[76] UMH also indicated that demand in the U.S. market is expected to decrease in the next two to three years.[77]

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[71] Petitioner Postconference Br. at 11 & Response to Staff Question 2.

[72] Petitioner estimates that the volume of subject imports were 338.9 million in 2015, 353.4 million in 2016, 407.8 million in 2017; it estimates the volume to be 90.7 million in interim 2017 and 109.3 million in interim 2018. Petitioner Postconference Br. at 12. This estimate is based on 50 percent of imports under HTS 7326.90.8688 and its predecessor category. *Id*.

[73] CR at II-6; PR at II-4.

[74] CR at II-8; PR at II-5; CR/PR at Table II-4.

[75] CR/PR at Table C-1, as revised by Memorandum INV-QQ-089.

[76] Petitioner Postconference Br. at 6.

[77] UMH Postconference Br. at 11-13.

2. Supply Conditions

The sources of supply in the U.S. market were domestic producers, importers of subject merchandise from China, and importers of steel racks from nonsubject countries. During the period of investigation, the domestic industry held the largest share in the U.S. market, although its market share decreased from *** percent in 2015 to *** percent in 2016 to *** percent in 2017; it was *** percent in interim 2017 and *** percent in interim 2018.[78] In the beginning of the period of investigation, subject imports accounted for the smallest share of the market, but they gained market share at the expense of the domestic industry and nonsubject imports to account for the second largest source of supply beginning in 2016. Subject import market share increased from *** percent in 2015 to *** percent in 2016 and *** percent in 2017; it was *** percent in interim 2017 and *** percent in interim 2018.[79] The share of the market held by nonsubject imports decreased from *** percent in 2015 to *** percent in 2016 to *** percent in 2017; it was *** percent in interim 2017 and *** percent in interim 2018.[80] Sources of nonsubject imports are reported to include ***.[81]

3. Substitutability and Other Conditions

We find based on the record in the preliminary phase of these investigations that subject imports and the domestic like product have a high degree of substitutability.[82] A UMH representative reported that there were several factors that limited competition between U.S.-produced and Chinese steel racks, including lead times, paint colors, steel gauge, and shipping;[83] petitioner, however, contests assertions that there are any differences that might limit competition.[84] Many steel racks are produced to standard industry dimensions and bear RMI's R-Mark, certifying that the steel racks meet the RMI-ANSI MH16.1 standard.[85] The majority of U.S. producers and U.S. importers reported that domestically produced steel racks and subject imports are always or frequently interchangeable.[86] In addition, many purchasers bought both domestic and subject steel racks during the period of investigation.[87]

The record also indicates that price is likely an important factor in purchasing decisions. The majority of U.S. producers indicated that differences other than price are only sometimes

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[78] CR/PR at Table C-1, as revised by Memorandum INV-QQ-089.

[79] CR/PR at Table C-1, as revised by Memorandum INV-QQ-089.

[80] CR/PR at Table C-1, as revised by Memorandum INV-QQ-089.

[81] CR at VII-10; PR at VII-8.

[82] CR at II-9; PR at II-6. The degree of substitution may depend upon factors such as steel gauge, dimensions, coating/galvanization, connecting mechanisms, load capacity, lead times, and RMI certification or other code specification. *Id.*

[83] Tr. at 124-26 (Bartlett). Notwithstanding these assertions, he also reported that steel racks from both sources are "almost identical." *Id.*

[84] Petitioner Postconference Br. at 8-11.

[85] CR at I-15, II-8 – II-9; PR at I-12, II-6.

[86] CR/PR at Table II-5.

[87] CR/PR at Table V-9.

or never significant.[88] Responses from U.S. importers were mixed with slightly more U.S. importers reporting that differences other than price were always or frequently more significant than those that reported that differences were only sometimes or never significant.[89] Purchasers responding to the Commission's lost sales and lost revenue allegations reported that major factors affecting purchasing decisions included price.[90]

During the period of investigation, both U.S. producers and importers of subject merchandise reported that the majority of their U.S. shipments were to distributors with the remainder being shipped directly to end users.[91] Many distributors offer racks products from both domestic and subject sources, with some offering combinations of both in the same rack system.[92]

Steel inputs account for about two-thirds of the cost of a steel rack system, although the percentage changes with the price of steel.[93] Petitioner contends that the price of steel has recently trended upward due to newly imposed section 232 tariffs on steel products.[94] Raw materials accounted for approximately 61 percent of the cost of goods sold ("COGS") during 2015 through 2017.[95]

D. Volume of Subject Imports

Section 771(7)(C)(i) of the Tariff Act provides that the "Commission shall consider whether the volume of imports of the merchandise, or any increase in that volume, either in absolute terms or relative to production or consumption in the United States, is significant."[96]

Subject imports from China had a significant and increasing presence in the U.S. market during the period of investigation at the expense of the domestic industry.[97] The volume of

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[88] CR/PR at Table II-6. Eight U.S. producers reported that differences other than price were sometimes or never significant, and two reported that such differences were always or frequently significant. *Id.*

[89] CR/PR at Table II-6. Six U.S. producers reported that differences other than price were always or frequently significant, and five reported that such differences were only sometimes or never significant. *Id.*

[90] CR at II-9; PR at II-6. Other factors included building code requirements, delivery lead times, payment terms, quality, and reliability of supply. *Id.* With respect to lead time, U.S. producers reported that 86 percent of their commercial shipments were produced-to-order, with lead times averaging 51 days; the remaining 14 percent of shipments came from inventories, with lead times averaging 13 days. *Id.* U.S. importers reported that 80 percent of their commercial shipments were from inventories, with lead times averaging nine days; U.S. importers reported that 18 percent of shipments were produced-to-order, with lead times averaging 41 days. *Id.*

[91] CR/PR at Table II-1.

[92] CR at II-2; PR at II-1 (citing Tr. at 16 (Bartlett), 21 (Peplowski), 23-24 (Neal)).

[93] CR/PR at V-1.

[94] CR/PR at V-1 n.5 (Tr. at 22 (Peplowski), 29 (Olson), 32 (Anderson)); *see also* CR at I-10 & n.12; PR at I-9 & n.12.

[95] CR/PR at V-1.

[96] 19 U.S.C. § 1677(7)(C)(i).

subject imports increased 122.5 percent from 2015 to 2017, from 39.6 million pounds in 2015 to 76.7 million pounds in 2016 and 88.1 million pounds in 2017.[98] Subject imports by quantity were also 2.7 percent higher in interim 2018 than in interim 2017; the volume of subject imports in interim 2017 was 19.3 million pounds and 19.8 million pounds in interim 2018.[99] Subject imports as a share of apparent U.S. consumption also increased from 2015 to 2017, rising faster than demand. Subject imports accounted for *** percent of the U.S. market in 2015, *** percent in 2016, and *** percent in 2017; their market share was *** percent in interim 2017 and *** percent in interim 2018.[100]

We therefore conclude that the volume of subject imports, and the increase in that volume, was significant in absolute terms and relative to apparent U.S. consumption.

E. Price Effects of the Subject Imports

Section 771(7)(C)(ii) of the Tariff Act provides that, in evaluating the price effects of subject imports, the Commission shall consider whether –

> (I) there has been significant price underselling by the imported merchandise as compared with the price of domestic like products of the United States, and
>
> (II) the effect of imports of such merchandise otherwise depresses prices to a significant degree or prevents price increases, which otherwise would have occurred, to a significant degree.[101]

As discussed above, we find that the record demonstrates that there is a high degree of substitutability between subject imports and the domestic like product and that price is likely an important factor in purchasing decisions.

The Commission collected quarterly pricing data for four pricing products.[102] The Commission received usable pricing data from ten U.S. producers and 12 U.S. importers,

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(…Continued)

[97] CR/PR at Table C-1, as revised by Memorandum INV-QQ-089.

[98] CR/PR at Table C-1, as revised by Memorandum INV-QQ-089.

[99] CR/PR at Table C-1, as revised by Memorandum INV-QQ-089.

[100] CR/PR at Table C-1, as revised by Memorandum INV-QQ-089.

[101] 19 U.S.C. § 1677(7)(C)(ii).

[102] CR at V-5; PR at V-3. The four pricing products are as follows:

Product 1. – Beam, non-galvanized, 96" length, 4" face, 3 pins connection, 1 5/8" step;
Product 2. – Beam, non-galvanized, 120" length, 5" face, 4 pins connection, 1 5/8" step;
Product 3. – Frame, non-galvanized, 14 gauge, 3" x 1 5/8" posts, 42" x 120"; and
Product 4. – Frame, non-galvanized, 14 gauge, 3" x 3" posts, 42" x 192".

Id. UMH argues that any underselling is overstated because Chinese exporters offer a lighter gauge of steel than U.S. producers, which results in lower prices. UMH Postconference Br. at 13. Parties should propose any changes to the pricing products in their comments on the draft questionnaires in any final phase investigations.

although not all firms reported pricing for all products for all quarters.[103] Pricing data reported by these firms accounted for approximately 5.5 percent of U.S. producers' shipments of steel racks and 7.2 percent of U.S. importers' shipments of subject merchandise.[104]

The pricing data show that subject imports undersold the domestic like product in 31 out of 42 instances, involving 9.5 million pounds of steel racks, with margins of underselling ranging from *** to *** percent. In the remaining 11 instances, involving 1.0 million pounds of steel racks, prices for subject imports were between *** and *** percent higher than prices for the domestic product.[105] Other information in the record regarding lost sales provides further support for the proposition that subject imports were sold at low prices and as a result captured market share from the domestic industry. Of the six purchasers that responded to the Commission's lost sales survey, five reported that they had purchased subject imports instead of domestically produced product since 2015. Three of these five purchasers reported that prices for subject imports were lower than those for the domestically produced product and that price was a primary reason for the decision to shift purchases from the domestic like product to subject imports.[106] Considering all of the data in the record in the preliminary phase of these investigations, we find the underselling by subject imports to be significant.

We find that there is some evidence on the record in the preliminary phase of these investigations that subject imports are suppressing domestic prices. Of the six purchasers that responded to the Commission's lost revenue survey, two reported that U.S. producers had reduced prices in order to compete with lower-priced subject imports.[107] One purchaser in particular reported that U.S. producers ***.[108] We further observe that, for the three pricing products that involved the greater volumes of subject imports, price increases over the period of investigation were significantly less than for the pricing product involving the smallest volume of subject imports, which was Product 3.[109] The fact that the domestic industry's ratio of COGS to net sales was at its highest in interim 2018 provides further evidence of price suppression.[110]

On the basis of the record in the preliminary phase of these investigations, we find that significant price underselling by subject imports resulted in a loss of market share and sales by the domestic industry to subject imports. We further find that there is some evidence on the record in these investigations that subject imports suppressed domestic prices. The low-priced subject imports consequently had significant adverse effects on the domestic industry, which are described further below.

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[103] CR at V-6; PR at V-4.
[104] CR at V-6; PR at V-4.
[105] CR/PR at Tables V-3 – V-7; CR at V-16; PR at V-4.
[106] CR at V-18; PR at V-12; CR/PR at Table V-11.
[107] CR at V-19 – V-20; PR at V-12; CR/PR at Table V-12.
[108] CR/PR at Table V-12.
[109] CR/PR at Tables V-3 – V-7.
[110] CR/PR at Table C-1, as revised by Memorandum INV-QQ-089.

F. Impact of the Subject Imports[111] [112]

Section 771(7)(C)(iii) of the Tariff Act provides that the Commission, in examining the impact of the subject imports on the domestic industry, "shall evaluate all relevant economic factors which have a bearing on the state of the industry." These factors include output, sales, inventories, capacity utilization, market share, employment, wages, productivity, gross profits, net profits, operating profits, cash flow, return on investment, return on capital, ability to raise capital, ability to service debt, research and development, and factors affecting domestic prices. No single factor is dispositive and all relevant factors are considered "within the context of the business cycle and conditions of competition that are distinctive to the affected industry."[113]

During 2015 to 2017, many of the domestic industry's performance indicia increased overall but did so at a slower rate than the *** percent increase in demand in the U.S. market during that time. Similarly, although apparent U.S. consumption was *** percent higher in interim 2018 than in interim 2017, many indicia were lower in interim 2018 than in interim 2017. The domestic industry's capacity fluctuated within a narrow range.[114] Production increased slightly overall but did so at a slower rate than the growing demand; it increased by only *** percent from 2015 to 2017 and was *** percent higher in interim 2018 than in interim 2017.[115] The domestic industry's capacity utilization rate was low and fluctuated within a narrow range from 2015 to 2017, and it was lower in interim 2018 than in interim 2017.[116] The domestic industry's U.S. shipments also lagged behind demand, increasing only *** percent from 2015 to 2017; U.S. shipments were *** percent higher in interim 2018 than in interim

[111] In its notice initiating the antidumping duty investigation on China, Commerce estimated antidumping duty margins of 130.0 to 144.5 percent for imports from China. *Steel Racks From the People's Republic of China: Initiation of Less-Than-Fair-Value Investigation*, 83 Fed. Reg. 33195 (Dep't of Comm. July 17, 2018); CR at I-7; PR at I-5 – I-6.

[112] The Commission received a late submission of a questionnaire response from a U.S. producer. The data for the domestic industry was revised to include production, shipment, and employment data from this producer. The financial data of this producer was not included, and therefore, the financial data for the domestic industry as a whole was not revised. *See* Memorandum INV-QQ-089.

[113] 19 U.S.C. § 1677(7)(C)(iii). This provision was amended by the Trade Preferences Extension Act of 2015, Pub. L. 114-27.

[114] CR/PR at Table C-1, as revised by Memorandum INV-QQ-089. Capacity initially increased from *** pounds in 2015 to *** in 2016 before decreasing to *** in 2017; it was *** in interim 2017 and *** in interim 2018. *Id.*

[115] CR/PR at Table C-1, as revised by Memorandum INV-QQ-089. The domestic industry's production was *** pounds in 2015, *** pounds in 2016, and *** pounds in 2017; it was *** pounds in interim 2017 and *** pounds in interim 2018. *Id.*

[116] CR/PR at Table C-1, as revised by Memorandum INV-QQ-089. The domestic industry's capacity utilization rate was *** percent in 2015, *** percent in 2016, and *** in 2017; it was *** percent in interim 2017 and *** in interim 2018.

2017.[117] Inventories, however, increased during the period of investigation.[118] In spite of the overall increase in the domestic industry's production and U.S. shipments and the abundance of available capacity, the domestic industry lost market share to the subject imports from 2015 to 2017, and it was unable to participate fully in the growing demand in the U.S. market.[119] The domestic industry's employment indicia were mixed during the period of investigation.[120]

The domestic industry's net sales by value increased 3.7 percent overall from 2015 to 2017 and were 2.2 percent higher in interim 2018 than in interim 2017.[121] The domestic industry's COGS increased overall between 2015 and 2017 and were higher in interim 2018 than in interim 2017.[122] The ratio of COGS to net sales decreased slightly overall from 2015 to 2017, but it was higher in interim 2018 than in interim 2017.[123] The domestic industry's gross profits and operating income increased overall from 2015 to 2017, but were lower in interim 2018 than in interim 2017.[124] Net income, however, declined overall from 2015 to 2017 and

[117] CR/PR at Table C-1, as revised by Memorandum INV-QQ-089. U.S. shipments were *** pounds in 2015 and 2016 and *** pounds in 2017; they were *** pounds in interim 2017 and *** pounds in interim 2018. *Id.*

[118] CR/PR at Table C-1, as revised by Memorandum INV-QQ-089. Inventories rose from *** pounds in 2015 to *** pounds in 2016 and *** pounds in 2017; they were *** pounds in interim 2017 and *** pounds in interim 2018. *Id.*

[119] CR/PR at Table C-1, as revised by Memorandum INV-QQ-089. The domestic industry's market share was *** percent in 2015, *** percent in 2016, and *** in 2017; it was *** percent in interim 2017 and *** in interim 2018. *Id.*

[120] Production related workers ("PRWs") were *** in 2015, *** in 2016, and *** in 2017; the number of PRWs was *** in interim 2017 and *** in interim 2018. Hours worked increased from *** in 2015 to *** in 2016 and 2017; they were *** in interim 2017 and *** in interim 2018. Productivity declined from 2015 to 2017, but was higher in interim 2018 compared to interim 2017. It was *** pounds per hour in 2015, *** pounds per hour in 2016, and *** pounds per hour in 2017; it was *** pounds per hour in interim 2017 and *** in interim 2018. Wages paid were $*** in 2015, $*** in 2016, and $*** in 2017; they were $*** in interim 2017 and $*** in interim 2018. CR/PR at Table C-1, as revised by Memorandum INV-QQ-089.

[121] CR/PR at Table C-1, as revised by Memorandum INV-QQ-089. Net sales by value initially increased from $620.5 million in 2015 to $648.0 million in 2016 before falling to $643.3 million in 2017; they were $163.8 million in interim 2017 and $167.4 million in interim 2018. *Id.*

[122] CR/PR at Table C-1, as revised by Memorandum INV-QQ-089. COGS were $516.4 million in 2015, $530.0 million in 2016, and $527.5 million in 2017; COGS were $135.3 million in interim 2017 and $142.7 million in interim 2018. *Id.*

[123] CR/PR at Table C-1, as revised by Memorandum INV-QQ-089. The ratio of COGS to net sales was 83.2 percent in 2015, 81.8 percent in 2016, and 82.0 percent in 2017; it was 82.6 percent in interim 2017 and 85.2 percent in interim 2018. *Id.*

[124] CR/PR at Table C-1, as revised by Memorandum INV-QQ-089. Gross profits were $104.1 million in 2015, $118.1 million in 2016, and $115.8 million in 2017; they were $28.5 million in interim 2017 and $24.7 million in interim 2018. Operating income also increased overall from $48.9 million in 2015 to $54.3 million in 2016 before falling to $53.9 million in 2017; it was $13.9 million in interim 2017 and $10.8 million in interim 2018. *Id.*

was lower in interim 2018 than in interim 2017.[125] The domestic industry's capital expenditures increased from 2015 to 2017, but were lower in interim 2018 than in interim 2017.[126] Notwithstanding these increasing expenditures, most U.S. producers reported negative effects on investment as well as growth and development due to subject imports.[127]

As described above, the volume of subject imports was significant and increased during the period of investigation. This significantly increasing volume of subject imports, which were highly substitutable with the domestic like product, widely undersold the domestic like product, and as a result, the domestic industry lost sales and market share to low-priced subject imports, even though demand was increasing, and the domestic industry had substantial unused capacity. Because of the sales lost to subject imports, the domestic industry had fewer U.S. shipments and obtained less revenue than it otherwise would have, and its net income declined over the period of investigation, all while the U.S. market for steel racks was growing. We therefore find, for purposes of the preliminary phase of these investigations, that subject imports had a significant impact on the domestic industry. In the final phase, the Commission intends to explore further the impact that subject imports have had on the domestic industry.

We have also considered whether there are other factors that may have had an impact on the domestic industry during the period of investigation to ensure that we are not attributing injury from these factors to subject imports. In particular, we have considered the presence of nonsubject imports during the period of investigation. As described above, nonsubject imports initially were the second largest source of supply during the period of investigation, but they, along with the domestic industry, lost market share to subject imports from 2015 to 2017. We find, therefore, for purposes of the preliminary phase of these investigations, that nonsubject imports do not explain the loss of sales and market share that domestic producers lost to low-priced subject imports through 2017.

Accordingly, for the purposes of these preliminary determinations, we conclude that subject imports had a significant adverse impact on the domestic industry.

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[125] CR/PR at Table C-1, as revised by Memorandum INV-QQ-089. Net income was $*** in 2015, $*** in 2016, and $*** in 2017; it was $*** in interim 2017 and $*** in interim 2018. *Id.*

[126] CR/PR at Table C-1, as revised by Memorandum INV-QQ-089. Capital expenditures increased from $12.1 million in 2015 to $16.3 million in 2016 and $34.5 million in 2017; they were $5.0 million in interim 2017 and $4.6 million in interim 2018. *Id.* Only one domestic producer reported research and development expenses during the period of investigation: $*** in 2015, $*** in 2016 and 2017; they were $*** in interim 2017 and $*** in interim 2018. CR/PR at Table VI-5.

[127] CR/PR at Tables VI-7 & VI-8. Reported negative effects on investments included the cancellation, postponement, or rejection of expansion projects; the reduction in the size of capital investments; and negative impacts on the return on specific investments. Specific negative effects on growth and development included the lowering of a credit rating negatively affecting the ability to service to debt. *Id.*

VII. Conclusion

For the reasons stated above, we determine that there is a reasonable indication that an industry in the United States is materially injured by reason of subject imports of steel racks from China that are allegedly subsidized and sold in the United States at less than fair value.

PART I: INTRODUCTION

BACKGROUND

These investigations result from petitions filed with the U.S. Department of Commerce ("Commerce") and the U.S. International Trade Commission ("USITC" or "Commission") by the Coalition for Fair Rack Imports[1] on June 20, 2018, alleging that an industry in the United States is materially injured and threatened with material injury by reason of subsidized and less-than-fair-value ("LTFV") imports of steel racks[2] from China. The following tabulation provides information relating to the background of these investigations.[3] [4]

Effective date	Action
June 20, 2018	Petition filed with Commerce and the Commission; institution of Commission investigations (83 FR 29822, June 26, 2018)
July 11, 2018	Commission's conference
July 17, 2018	Commerce's notice of initiation (83 FR 33195, AD; 83 FR 33201, CVD)
August 3, 2018	Commission's vote
August 6, 2018	Commission's determinations
August 13, 2018	Commission's views

STATUTORY CRITERIA AND ORGANIZATION OF THE REPORT

Statutory criteria

Section 771(7)(B) of the Tariff Act of 1930 (the "Act") (19 U.S.C. § 1677(7)(B)) provides that in making its determinations of injury to an industry in the United States, the Commission--

[1] Members of the Coalition for Fair Rack Imports are Bulldog Rack Company, Weirton, West Virginia; Hannibal Industries, Inc., Los Angeles, California; Husky Rack and Wire, Denver, North Carolina; Ridg-U-Rak, Inc., North East, Pennsylvania; SpaceRAK, a Division of Heartland Steel Products, Inc., Marysville, Michigan; Speedrack Products Group, Ltd., Sparta, Michigan; Steel King Industries, Inc., Stevens Point, Wisconsin; Tri-Boro Shelving & Partition Corp., Farmville, Virginia; and UNARCO Material Handling, Inc., Springfield, Tennessee.

[2] See the section entitled "The Subject Merchandise" in *Part I* of this report for a complete description of the merchandise subject in this proceeding.

[3] Pertinent *Federal Register* notices are referenced in appendix A, and may be found at the Commission's website (www.usitc.gov).

[4] A list of witnesses appearing at the conference is presented in appendix B of this report.

shall consider (I) the volume of imports of the subject merchandise, (II) the effect of imports of that merchandise on prices in the United States for domestic like products, and (III) the impact of imports of such merchandise on domestic producers of domestic like products, but only in the context of production operations within the United States; and. . . may consider such other economic factors as are relevant to the determination regarding whether there is material injury by reason of imports.

Section 771(7)(C) of the Act (19 U.S.C. § 1677(7)(C)) further provides that--[5]

In evaluating the volume of imports of merchandise, the Commission shall consider whether the volume of imports of the merchandise, or any increase in that volume, either in absolute terms or relative to production or consumption in the United States is significant.. . .In evaluating the effect of imports of such merchandise on prices, the Commission shall consider whether. . .(I) there has been significant price underselling by the imported merchandise as compared with the price of domestic like products of the United States, and (II) the effect of imports of such merchandise otherwise depresses prices to a significant degree or prevents price increases, which otherwise would have occurred, to a significant degree.. . . In examining the impact required to be considered under subparagraph (B)(i)(III), the Commission shall evaluate (within the context of the business cycle and conditions of competition that are distinctive to the affected industry) all relevant economic factors which have a bearing on the state of the industry in the United States, including, but not limited to. . . (I) actual and potential decline in output, sales, market share, gross profits, operating profits, net profits, ability to service debt, productivity, return on investments, return on assets, and utilization of capacity, (II) factors affecting domestic prices, (III) actual and potential negative effects on cash flow, inventories, employment, wages, growth, ability to raise capital, and investment, (IV) actual and potential negative effects on the existing development and production efforts of the domestic industry, including efforts to develop a derivative or more advanced version of the domestic like product, and (V) in {an antidumping investigation}, the magnitude of the margin of dumping.

In addition, Section 771(7)(J) of the Act (19 U.S.C. § 1677(7)(J)) provides that—[6]

[5] Amended by PL 114-27 (as signed, June 29, 2015), Trade Preferences Extension Act of 2015.
[6] Amended by PL 114-27 (as signed, June 29, 2015), Trade Preferences Extension Act of 2015.

(J) EFFECT OF PROFITABILITY.—The Commission may not determine that there is no material injury or threat of material injury to an industry in the United States merely because that industry is profitable or because the performance of that industry has recently improved.

Organization of report

Part I of this report presents information on the subject merchandise, alleged subsidy and dumping margins, and domestic like product. *Part II* of this report presents information on conditions of competition and other relevant economic factors. *Part III* presents information on the condition of the U.S. industry, including data on capacity, production, shipments, inventories, and employment. *Parts IV* and *V* present the volume of subject imports and pricing of domestic and imported products, respectively. *Part VI* presents information on the financial experience of U.S. producers. *Part VII* presents the statutory requirements and information obtained for use in the Commission's consideration of the question of threat of material injury as well as information regarding nonsubject countries.

MARKET SUMMARY

Steel racks are generally used for storage in facilities such as warehouses, fulfillment and distribution centers, big-box retail stores, and manufacturing facilities. The leading U.S. producers of steel racks are Hannibal Industries, Inc. ("Hannibal"), Ridg-u-Rak, Inc. ("Ridg-u-Rak"), and Unarco Material Handling, Inc. ("Unarco"), while leading producers of steel racks outside the United States include Jiangsu Kingmore Storage Equipment Manufacturing Co., Ltd ("Kingmore"), Nanjing Huade Storage Equipment Manufacturing Co., Ltd ("Huade"), and Nanjing Inform Storage Equipment (Group) Co., Ltd ("Inform Storage") of China. The leading U.S. importers of steel racks from China are North Shore Supply Company Inc. dba North American Wholesale Logistics (NAWL) ("North Shore") and United Material Handling, Inc. ("UMH"). Importers of product from nonsubject countries (primarily Mexico) include Frazier Industrial Company ("Frazier") and Interlake Mecalux Inc. ("Interlake").[7] U.S. purchasers of steel racks consist of a combination of distributors, resellers, and logistics handling companies, as well as end users that make direct purchases for storage system requirements in warehouses, distribution centers, or other facilities. Leading purchasers of steel racks vary by geographic region, and include ***.

Apparent U.S. consumption of steel racks totaled approximately *** pounds (***) in 2017. Currently, thirteen firms are known to produce steel racks in the United States.[8] U.S.

[7] At the staff conference, respondents cited both firms as importers of steel racks from Mexico. Conference transcript, pp. 122-123 (Bartlett). ***. Staff telephone interviews with *** and ***.

[8] Seventeen firms were cited in the petition as potential producers of steel racks but five firms failed to respond with questionnaires. Two firms (***) provided questionnaires that were not usable. One firm (***) confirmed they produce steel racks but were unable to complete the questionnaire.

producers' U.S. shipments of steel racks totaled 729.7 million pounds ($636.7 million) in 2017, and accounted for *** percent of reported apparent U.S. consumption by quantity and *** percent by value. U.S. imports from China totaled 88.1 million pounds ($44.1 million) in 2017 and accounted for *** percent of reported apparent U.S. consumption by quantity and *** percent by value.

SUMMARY DATA AND DATA SOURCES

A summary of data collected in these investigations is presented in appendix C, table C-1. Except as noted, U.S. industry data are based on questionnaire responses of ten firms that accounted for the majority of U.S. production of steel racks during 2017.[9] U.S. imports are based on questionnaire responses of thirteen importers and five foreign producers. Steel racks enter the U.S. under several basket categories limiting the usefulness of official import statistics. Quantity of U.S. imports of steel racks is based on responding foreign producers' exports to the U.S. and value is derived from the average unit values ("AUVs") of responding U.S. importers imports of steel racks from China.

PREVIOUS AND RELATED INVESTIGATIONS

Steel racks have not been the subject of any prior countervailing and/or antidumping duty investigations in the United States. As discussed further below, in April 2018, Section 232 tariffs on aluminum and steel and Section 301 tariffs on goods from China entered into effect.

NATURE AND EXTENT OF ALLEGED SUBSIDIES AND SALES AT LTFV

Alleged subsidies

On July 17, 2018, Commerce published a notice in the *Federal Register* of the initiation of its countervailing duty investigation on steel racks from China.[10] Commerce identified the following government programs in China:

- Preferential Lending
    - Policy Loans
    - Export Loans
    - Treasury Bond Loans
    - Preferential Lending to Exporters Classified as "Honorable Enterprises" or Similar Designations

[9] *** provided a questionnaire that was not timely enough to be incorporated into the staff report. *** provided a questionnaire with unusable data.

[10] *Certain Steel Racks From the People's Republic: Initiation of Countervailing Duty Investigation*, 83 FR 33201, July 17, 2018.

    - Loans and Interest Subsidies Provided Pursuant to the Northeast Revitalization Plan
    - Debt-to-Equity Swaps
- Income Tax and Other Direct Tax Subsidies
    - Preferential Income Tax Program for High and New Technology Enterprises ("HNTEs")
    - Preferential Deduction of Research and Development ("R&D") Expenses for HNTEs
    - Preferential Income Tax Policy for Enterprises in the Northeast Region
    - Reduction in or Exemption from Fixed Assets Investment Orientation Regulatory Tax
    - Income Tax Benefits for Domestically Owned Enterprises Engaging in R&D
- Indirect Tax Programs
    - Value-Added Tax and Tariff Exemptions for Purchases of Fixed Assets Under the Foreign Trade Development Fund
- Government Provision of Goods and Services for Less than Adequate Remuneration ("LTAR")
    - Provision of Land Use Rights for LTAR
        - Provision of land to State-Owned Enterprises
        - Provision of land in economic development zones
    - Provision of Hot-Rolled Steel for LTAR
    - Provision of Electricity for LTAR
    - Provision of Cold-Rolled Steel for LTAR
    - Provision of International Shipping Services for LTAR
- Grant Programs
    - The State Key Technology Project Fund
    - Foreign Trade Development Fund Grants
    - Export Assistance Grants
    - Export Interest Subsidies
    - Grants for Energy Conservation and Emission Reduction
    - Grants for Retirement of Capacity
    - Grants for Relocating Production Facilities

Alleged sales at LTFV

On July 17, 2018, Commerce published a notice in the *Federal Register* of the initiation of its antidumping duty investigation on product from China.[11] Commerce has initiated antidumping duty investigations based on estimated dumping margins of between 130.0-144.5 percent for product from China.

[11] *Steel Racks From the People's Republic of China: Initiation of Less-Than-Fair-Value Investigation*, 83 FR 33195, July 17, 2018.

THE SUBJECT MERCHANDISE

Commerce's scope

In the current proceeding, Commerce has defined the scope as follows:

> *The merchandise covered by this investigation is steel racks and parts thereof, assembled, to any extent, or unassembled, including but not limited to, vertical components (e.g., uprights, posts, or columns), horizontal or diagonal components (e.g., arms or beams), braces, frames, locking devices (i.e., end plates and beam connectors), and accessories (including, but not limited to, rails, skid channels, skid rails, drum/coil beds, fork clearance bars, pallet supports, column and post protectors, end row and end aisle protectors, corner guards, row spacers, and wall ties). Subject steel racks and parts thereof are made of steel, including, but not limited to, cold and/or hot-formed steel, regardless of the type of steel used to produce the components and may, or may not, include locking tabs, slots, or bolted, clamped, or welded connections.*
>
> *Steel rack components can be assembled into structures of various dimensions and configurations by welding, bolting, clipping, or with the use of devices such as clips, end plates, and beam connectors, including, but not limited to the following configurations: (1) Racks with upright frames perpendicular to the aisles that are independently adjustable, with positive locking beams parallel to the aisle spanning the upright frames with braces; and (2) cantilever racks with vertical components parallel to the aisle and cantilever beams or arms connected to the vertical components perpendicular to the aisle. Steel racks may be referred to as pallet racks, storage racks, stacker racks, retail racks, pick modules, selective racks, or cantilever racks and may incorporate moving components and be referred to as pallet-flow racks, carton-flow racks, push-back racks, movable-shelf racks, drive-in racks, and drive-through racks. While steel racks may be made to ANSI MH16.l or ANSI MH16.3 standards, all steel racks and parts thereof meeting the description set out herein are covered by the scope of this investigation, whether or not produced according to a particular standard.*
>
> *The scope includes all steel racks and parts thereof meeting the description above, regardless of*
> *(1) Dimensions, weight, strength, gauge, or load rating;*
> *(2) vertical components or frame type (including structural, roll-form, or other);*

(3) horizontal support or beam/brace type (including but not limited to structural, rollform, slotted, unslotted, Z-beam, C-beam, L-beam, step beam, and cantilever beam);
(4) number of supports;
(5) number of levels;
(6) surface coating, if any (including but not limited to paint, epoxy, powder coating, zinc, or other metallic coatings);
(7) shape (including but not limited to rectangular, square, corner, and cantilever);
(8) the method by which the vertical and horizontal supports connect (including but not limited to locking tabs or slots, bolting, clamping, and welding); and
(9) whether or not the steel rack has moving components (including but not limited to rails, wheels, rollers, tracks, channels, carts, and conveyors).

Subject merchandise includes merchandise matching the above description that has been finished or packaged in a third country. Finishing includes, but is not limited to, coating, painting, or assembly, including attaching the merchandise to another product, or any other finishing or assembly operation that would not remove the merchandise from the scope of the investigation if performed in the country of manufacture of the steel racks and parts thereof. Packaging includes packaging the merchandise with or without another product or any other packaging operation that would not remove the merchandise from the scope of the investigation if performed in the country of manufacture of the steel racks and parts thereof.

Steel racks and parts thereof are included in the scope of this investigation whether or not imported attached to, or included with, other parts or accessories such as wire decking, nuts, and bolts. If steel racks and parts thereof are imported attached to, or included with, such non-subject merchandise, only the steel racks and parts thereof are included in the scope.

The scope of this investigation does not cover: (1) Decks, i.e., shelving that sits on or fits into the horizontal supports to provide the horizontal storage surface of the steel racks; (2) wire shelving units, i.e., shelves made from wire that incorporate both a wire deck and wire horizontal supports (taking the place of the horizontal beams and braces) into a single piece with tubular collars that slide over the posts and onto plastic sleeves snapped on the posts to create a finished unit; (3) pins, nuts, bolts, washers, and clips used as connecting devices; and (4) non-steel components.

Specifically excluded from the scope of this investigation are any products covered by Commerce's existing antidumping and countervailing duty orders on boltless steel shelving units prepackaged for sale from the People's Republic of China. See Boltless Steel Shelving Units Prepackaged for Sale From the People's Republic of China: Antidumping Duty Order, 80 FR 63,741 (October 21, 2017); Boltless Steel Shelving Units Prepackaged for Sale From the People's Republic of China: Amended Final Affirmative Countervailing Duty Determination and Countervailing Duty Order, 80 FR 63,745 (October 21, 2017). Also excluded from the scope of this investigation are bulk-packed parts or components of boltless steel shelving units that were specifically excluded from the scope of the Boltless Steel Shelving Orders because such bulk-packed parts or components do not contain the steel vertical supports (i.e., uprights and posts) and steel horizontal supports (i.e., beams, braces) packaged together for assembly into a completed boltless steel shelving unit.

Merchandise covered by this investigation is currently classified in the Harmonized Tariff Schedule of the United States (HTSUS) under the following subheadings: 7326.90.8688, 9403.20.0080, and 9403.90.8041. Subject merchandise may also enter under subheadings 7308.90.3000, 7308.90.6000, 308.90.9590, and 9403.20.0090. The HTSUS subheadings are provided for convenience and U.S. Customs purposes only. The written description of the scope is dispositive.

Tariff treatment

Based upon the scope set forth by the Department of Commerce, information available to the Commission indicates that the merchandise subject to these investigations is imported under statistical reporting numbers 7326.90.8688, 9403.20.0080, and 9403.90.8041 of the Harmonized Tariff Schedule of the United States ("HTS"). The subject merchandise may also be reported under HTS 7308.90.3000, 7308.90.6000, 7308.90.9590, and 9403.20.0090. The 2018 general rate of duty is "Free" for HTS subheadings 7308.90.30, 7308.90.60, 7308.90.95, 9403.20.00, and 9403.90.80; and 2.9 percent *ad valorem* for HTS subheading 7326.90.86. Decisions on the tariff classification and treatment of imported goods are within the authority of U.S. Customs and Border Protection.

Sections 232 and 301 tariff treatment

The HTS 8-digit subheadings encompassing the HTS 10-digit provisions in Commerce's scope for steel racks are not subject to an additional 25 percent ad valorem duty under section

232 of the Trade Expansion Act of 1962, as proclaimed by the President on March 8, 2018.[12] The HTS subheadings covering the subject steel racks also are not included (in appendices A and B of the notice published on June 20, 2018, consisting of 818 HTS 8-digit subheadings) as products of China that are subject to an additional duty of 25 percent ad valorem, effective July 6, under section 301 of the Trade Act of 1974,[13] as announced by the Office of the United States Trade Representative ("USTR").[14] However, HTS subheadings 7308.90.30, 7308.90.60, and 7308.90.95 are included in a list of provisions covering imported products (in appendix C of such notice, consisting of 284 HTS 8-digit subheadings) to be considered for an additional duty of 25 percent ad valorem under section 301.[15] Moreover, HTS subheadings 7326.90.86, 9403.20.00, and 9403.90.80 are included as covering imported products to be considered for a subsequent additional duty of 10 percent ad valorem under section 301,[16] as announced by the USTR in a notice published on July 17, 2018.[17] All such additional duties are included in subchapter III of chapter 99 of the HTS (see additional notes 16 and 20 for covered products).

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[12] See paragraphs 8 and proclamation paragraph (1) of The White House, "Presidential Proclamation on Adjusting Imports of Steel into the United States," March 8, 2018. https://www.whitehouse.gov/presidential-actions/presidential-proclamation-adjusting-imports-steel-united-states/ (accessed March 16, 2018).

Rather, the HTS subheadings covering the component input materials (i.e., structural steel shapes and flat-rolled steel coils) used to manufacture steel racks were listed as covering imports of steel products subject to the additional 25 percent ad valorem national security tariff, as set forth in U.S. note 16(b), subchapter III, HTS chapter 99.

For a list of the steel mill products included in Commerce's Section 232 investigation and remedy recommendations, see: "Section IV Product Scope of the Investigation" in: Commerce, *The Effect of Imports of Steel on the National Security, an Investigation Conducted Under Section 232 of the Trade Expansion Act of 1962, as Amended*, January 11, 2018, pp. 21-22, https://www.commerce.gov/sites/commerce.gov/files/the_effect_of_imports_of_steel_on_the_national_security_-_with_redactions_-_20180111.pdf (accessed February 23, 2018).

[13] 83 FR 28710, June 20, 2018, https://www.gpo.gov/fdsys/pkg/FR-2018-06-20/pdf/2018-13248.pdf (accessed July 14, 2018).

[14] USTR, "USTR Issues Tariffs on Chinese Products in Response to Unfair Trade Practices," Press Release, June 15, 2018, https://ustr.gov/about-us/policy-offices/press-office/press-releases/2018/june/ustr-issues-tariffs-chinese-products; USTR, Fact Sheet, June 15, 2018, https://ustr.gov/about-us/policy-offices/press-office/fact-sheets/2018/june/section-301-product-list-fact-sheet.

[15] 83 FR 28710, June 20, 2018, https://www.gpo.gov/fdsys/pkg/FR-2018-06-20/pdf/2018-13248.pdf (accessed July 14, 2018). The USTR is seeking public comments via filings of written comments (by July 23), a public hearing (July 24), and filings of posthearing rebuttal-comments (by July 31).

[16] 83 FR 33608, July 17, 2018, https://www.gpo.gov/fdsys/pkg/FR-2018-07-17/pdf/2018-15090.pdf (accessed July 19, 2018).

[17] USTR, "Statement by U.S. Trade Representative Robert Lighthizer on Section 301 Action," Press Release, July 10, 2018, https://ustr.gov/about-us/policy-offices/press-office/press-releases/2018/july/statement-us-trade-representative. The USTR is seeking public comments via filings

(*continued*...)

THE PRODUCT

Description and applications

A steel rack is a structure consisting of hot-rolled or cold-formed steel structural components such as plates, rods, angles, shapes, sections, and tubes. These steel structural components are typically assembled by welding, bolting, or clipping. A steel rack is designed so that its dimensions and configurations can be adjusted as required, either with or without locking tabs or slots, and either with or without bolted, clamped, or welded connections.[18] Certain types of steel racks may also include movable components, such as rails, wheels, rollers, tracks, channels, carts, or conveyors.[19] Steel racks and parts thereof are available either assembled or unassembled.[20] They may also be finished (i.e., by coating or painting), assembled, or packaged in a third country.[21]

The key technical characteristics of steel racks are their strength, load-bearing capacity,[22] and stability, thereby enabling them to store heavy loads in readily accessible rack configurations.[23] More specifically, steel racks are often used for "short- or long-term holding of materials, products, and loads in a manufacturing or distribution facility."[24] Hence, steel racks, sometimes referred to as "storage racks,"[25] are utilized in warehouses, order-fulfillment and distribution centers, big-box retail stores, and manufacturing facilities.[26] The steel rack industry distinguishes between steel storage racks versus steel shelving, with storage racks being designed for holding loaded shipping pallets that are moved by fork-lift trucks, whereas shelving is typically hand-loaded.[27]

(…*continued*)
of written comments (by August 17), a public hearing (August 20-23), and filings of posthearing rebuttal-comments (by August 30).

[18] Petition, pp. 5-6.

[19] Steel racks with movable components include drive-in racks, drive-through racks, movable-shelf racks, pallet-flow racks, or push-back racks. Petition, p. 7.

[20] Although domestic manufacturers usually ship fully assembled steel racks, in some instances racks are shipped in "knocked-down" (unassembled) condition to reduce freight costs, for subsequent assembly at a job site. Conference transcript, p. 40 (Neal). Moreover, imported steel racks from China arrive knocked-down, rather than trying to fit a fully assembled rack into a shipping container. Conference transcript, p. 40 (Neal); p. 39 (Drake).

[21] Petition, p. 7.

[22] Steel racks are readily available in standard sizes, e.g., with 12-feet or 16-feet high vertical frames and 8-feet long beams, that are typically rated for a specific load rating of 5,000 pounds per shelf. Moreover, these standard sizes and their components are stocked for ready availability and shipping by both manufacturers and distributors. Conference transcript, p. 45 (Olson).

[23] Petition, p. 10.

[24] Material Handling Industry ("MHI"), "Racks," 2018, Petition, Exhibit 1-9.

[25] Petition, p. 7.

[26] Petition, p. 10.

[27] Conference transcript, p. 34 (Anderson).

The principal structural components of steel racks are: (1) vertical columns (also referred to as "uprights" or "posts"), which may be connected with horizontal or diagonal braces to form rigid, upright frames, which transfer vertical and horizontal loads to the floor, and resist axial (twisting) movements; (2) horizontal beams, which may have a protruding "step" (ledge) to support decking,[28] which transfer loads to the columns, and resist bending; and (3) beam-locking devices that resists disengagement of the beam from the column.[29] A typical storage configuration consists of upright frames perpendicular to the floor that are independently adjustable, with horizontal beams spanning between the upright frames, and braces designed to support unit loads between the beams. Alternatively, beams or arms protrude horizontally from each of the upright columns, rather than spanning adjacent upright frames (i.e., in a cantilever-rack configuration).[30]

There are two types of input materials for steel-rack components. Columns and beams produced by cold-forming steel strip, of varying thicknesses (gauges), are typically lighter on a per-foot basis that those produced by welding of hot-rolled structural shapes (angles and sections) that are available in more limited sizes.[31] Compared to welding of structural shapes, according to a Petitioner's witness, roll-forming of steel strip offers more possibilities for structural optimization by allowing greater flexibility for rack components, in terms of shapes, depths, widths, and gauges.[32] Moreover, because they contain less steel than structural racks, roll-formed racks are considered, by that witness, as more cost effective and cost competitive for supporting loads.[33] Regardless of whether the rack is structural or roll-formed, and regardless of whether it is a relatively simple, static, selective rack or a more complex dynamic system, all steel racks are produced from the same basic materials and serve the same function.[34]

Steel racks are manufactured to meet American National Standards Institute ("ANSI") MH16.1 (industrial steel storage racks)[35] or ANSI MH16.3 (cantilever steel storage racks)[36]

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[28] Conference transcript, p. 39 (Drake).

According to a witness from U.S. Producer Steel King, the majority of his firm's steel racks are produced without any decking. Rather, the pallets would normally overhang the front and rear beams by about three inches. His firm does sell optional pallet supports that can be dropped into place between the beams, including sheet steel for supporting particularly heavy loads. Alternatively, some rack users may select wire mesh decking. Otherwise, decking is considered only a very small part of his firm's business. Conference transcript, p. 101 (Anderson).

[29] Rack Manufacturers Institute ("RMI"), *ANSI MH16.1, Specification for the Design, Testing and Utilization of Industrial Steel Storage Racks*, January 13, 2012, Petition, Exhibit 1-7, p. xx.

[30] Petition, p. 6.

[31] Conference transcript, p. 68 (Neal).

[32] Conference transcript, p. 67-68, (Neal).

[33] Conference transcript, p. 65 (Neal).

[34] Conference transcript, p. 23 (Neal).

[35] ANSI MH16.1-2012: *Specification for the Design Testing and Utilization of Industrial Steel Storage Racks*, 2012, available from RMI via Internet web link:

(*continued*...)

standards.[37] The Rack Manufacturers Institute ("RMI") provides its "R-Mark" certification that a manufacturer's industrial steel storage racks or welded wire rack decking meets the RMI-ANSI MH16.1 standard.[38] Because steel racks are manufactured to meet these standards, with many racks produced to standardized dimensions, and adoption of similar component design characteristics (e.g., the "teardrop"-shaped holes along the length of the columns) and locking features, components produced by different manufacturers, whether domestic or foreign, tend to be highly interchangeable,[39] although not entirely so due to differences in dimensional tolerances.[40] Petitioner's witnesses testified that access to R-Mark certification, standardized designs, and the aforementioned interchangeability provided Chinese manufacturers with the necessary credibility to enter into the U.S. market for steel racks.[41]

Steel racks are available, with either structural or cold-formed components, in various configurations,[42] or even as hybrid rack systems consisting of a structural-steel frame and roll-formed steel beams.[43] According to the Petitioner, steel racks covered by the scope of these

(…*continued*)
http://imis.mhi.org/imis/ItemDetail?iProductCode=10083&WebsiteKey=7f58dfad-596e-4e29-84f6-33c278512f2b (accessed July 18, 2018).

[36] ANSI MH16.3-2016: *Specification for the Design, Testing and Utilization of Industrial Steel Cantilevered Storage Racks*, 2016, available from RMI via Internet web link: http://imis.mhi.org/imis/ItemDetail?iProductCode=11118&WebsiteKey=7f58dfad-596e-4e29-84f6-33c278512f2b&_ga=2.204168979.2059789001.1531946133-452396286.1531500319 (accessed July 18, 2018).

[37] Petition, p. 6.

[38] The R-Mark certification is available to both domestic and foreign steel-rack manufacturers.

U.S. steel-rack manufacturers and importers with R-Mark certification include: Advance Storage Products, Atlanta Pallet Rack, Elite Storage Solutions Inc., Engineered Products, Equipment Boni Inc., Frazier Industrial, Hannibal Industries Inc., Interlake Mecalux Inc., Rack USA, Ridg-U-Rak Inc., SpaceRAK, Speedrack Products Group Ltd., Steel King Industries Inc., UNARCO Material Handling, United Material Handling Inc., and Wireway Husky Corp.

Chinese steel-rack firms with R-Mark certification include: Nanjing Huade Storage Equipment Manufacturing Co. Ltd., Nanjing Jiangrul Storage Equipment Co. Ltd., Nanjing Kingmore Logistics Equipment Manufacturing Co. Ltd., Tianjin Master Logistics Equipment, and Ziamen Luckyroc Storage Equipment Manufacture Co. Ltd.

For more information about RMI's R-Mark certification program features and qualification requirements, see: RMI, "R-Mark Certification," 2018; "Information About the R-Mark Process," August 16, 2016; "R-Mark Recommendations," no date.

[39] Conference transcript, pp. 16 (B. Bartlett); 26 (Olson); 30 (Anderson); 70 (Schagrin).

[40] Conference transcript, pp. 110-111 (Schagrin); 131 (Peplowski); 158 (R. Bartlett).

[41] Conference transcript, pp. 113 (Olson).

[42] Further information was not readily available about the extent to which a particular rack configuration would consist solely of either structural or roll-formed components.

[43] Conference transcript, p. 65 (Neal).

investigations[44] are described by the ANSI MH16.1 standard depending on their specific configurations:[45]

Cantilever racks consist primarily of vertical columns, extended bases, horizontal arms projecting from the face of the columns, and down-aisle bracing between columns. There can be shelf beams between arms depending on the product being stored. Cantilever columns may be either free-standing or stabilized by overhead ties.

Case-flow racks are specialized pallet racks in which either the horizontal shelf beams support case-flow lanes or case-flow shelf assemblies are supported by the upright frames. The case-flow lanes or shelves are installed at a slight pitch permitting multiple-depth case or box storage with loading from one service aisle and return loading or picking from another service aisle.

Drive-in racks consist primarily of vertical upright frames, horizontal support arms, and horizontal load rails typically used for one-wide by multiple-depth storage. This structure includes an "anchor section" with horizontal beams supporting the load rails. Loading and unloading within a bay must be done from the same aisle. A two-way drive-in rack is a special case where back-to-back rows of drive-in racks are combined into a single entity with a common rear post.

Drive-through racks consist primarily of vertical upright frames, horizontal support arms, and horizontal load rails typically used for one-wide by multiple-depth storage. This structure lacks the 'anchor section' found in drive-in racks; therefore, loading and unloading can be accomplished from both ends of a bay.

Movable-shelf racks consist primarily of vertical upright frames and horizontal shelf beams and are typically used for one-deep pallet or hand-stack storage. Typically, the locations of a couple shelf levels are "fixed" with the location of the in-fill shelves being adjustable.

Pallet-flow racks are specialized pallet racks in which the horizontal shelf beams support pallet-flow lanes. The pallet-flow lanes are typically installed on a slight pitch permitting multiple-depth pallet storage with loading from one service aisle and unloading from another service aisle.

Pallet racks consist primarily of vertical upright frames and horizontal shelf beams and are typically used for one- and two-deep pallet storage.

Pick modules consist primarily of vertical frames and horizontal beams, typically having one or more platform levels of selective, case-flow, or pallet-flow bays feeding into a central pick aisle(s) (work platform(s) supported by the rack structure.

Portable racks (stacking frames) are assemblies, typically with four corner columns, that permits stacking of one assembly on top of another without applying any additional load to the product being stored on each assembly.

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[44] Petition, p. 8.

[45] Unless otherwise noted, information in this section is compiled from Rack Manufacturers Institute ("RMI"), *ANSI MH16.1, Specification for the Design, Testing and Utilization of Industrial Steel Storage Racks*, January 13, 2012, Petition, Exhibit 1-7, pp. xv-xx.

Push-back racks are specialized pallet racks in which the horizontal shelf beams support push-back lanes comprised of tracks and carts. The push-back lanes are installed on a slight pitch permitting multiple-depth pallet storage. Loading and unloading are done from the same service aisle by pushing the pallets back.

Stacker racks are similar to other rack structures but are serviced by automated storage and retrieval machines.

Petitioners' witnesses testified that their firms produce both structural and roll-formed steel racks,[46] whereas only a few domestic producers sell only structural racks.[47] A Petitioners' witness estimated that structural racks accounting for one-quarter and roll-formed racks accounting for three-quarters of the marketplace.[48] A Petitioners' witness further elaborated that pallet racks account for the vast majority (80-85 percent) of the steel racks purchased annually in the United States.[49]

According to a Petitioners' witness, imported steel racks are predominantly (95 percent) roll-formed.[50] A witness for Respondent UMH concurred that 95 percent of what his firm imports is roll-formed pallet racks with the remaining 5 percent being structural cantilever racks.[51] The witness further elaborated that he's not aware of any firm that imports structural pallet racks and that the only imported structural racking is the cantilever type.[52] The lighter roll-formed steel racks are more efficient to transport via containerized ocean freight, while the heavier structural steel racks might not completely fill a shipping container without exceeding the container's load-weight capacity.[53]

Manufacturing processes

The manufacturing process and raw material inputs both differ, depending on whether the steel rack consists of either roll-formed or structural steel components. A key distinction is that the components of roll-formed steel racks are cold-formed, whereas those of structural steel racks are hot-rolled.[54] Nevertheless, both processes start with a high-strength, low-alloy

[46] Conference transcript, pp. 16 (B. Bartlett); 20 (Peplowski); 23 and 65 (Neal); 26 (Olson); 30 (Anderson); 63 (Schagrin).

[47] Conference transcript, p. 65 (Neal).

[48] Conference transcript, p. 64 (Schagrin).

[49] Conference transcript, p. 99 (Peplowski).

[50] Conference transcript, p. 67 (Peplowski).

[51] Conference transcript, pp. 132 and 144 (R. Bartlett).

[52] Conference transcript, pp. 132 and 145 (R. Bartlett).

[53] Conference transcript, p. 68 (Neal).

[54] REB Storage Systems International, "Differences Between Structural Steel Rack and Roll-Formed Steel Rack," 2018; Krummell, John, "What is the Difference Between Structural and Roll Formed Rack?," Advance Storage Products, July 26, 2017; Mink, Jeremy, "Pallet Rack Systems: Structural vs. Roll Form Pallet Racking," Bastian Solutions, July 13, 2017; Next Level Storage Solutions, "Pallet Rack 101: Roll Formed vs. Structural Steel, What's the Difference?," July 25, 2013, Petition, Exhibit 1-11.

(high-carbon) steel of structural grade, with a yield strength of 50,000 pounds-per-square-inch or higher.[55]

Roll-formed rack components are typically manufactured by first slitting light-gauge, hot-rolled,[56] steel coils (generally weighing 20-25 tons)[57] into narrower widths suitable for producing the beam, brace, and column profiles. The slit steel blanks are first punched with holes by which the beams and columns will be attached to one another with a locking device to construct the rack. The steel blanks are then cut to length prior to being fed into a roll-forming machine consisting of a series of forming rolls that progressively bend the steel to create the final shape, typically into a channel or tube. In the case of tube-shaped beams, the beams will be welded to form a tube.[58] The braces are welded across the columns to produce the vertical frame.[59]

Structural rack components are assembled by welding together hot-rolled steel channel and angle sections.[60] Prior to welding, the structural sections are cut to length and punched with holes by which they will be attached to the columns.[61] These welded structural shapes are generally thicker and more resistant to damage than the equivalent roll-formed shapes.[62]

Finally, the finished components from either process are subsequently galvanized, painted, or coated.[63]

DOMESTIC LIKE PRODUCT ISSUES

Petitioners propose a single domestic like product co-extensive with the scope. Petitioners claim there is no clear dividing lines between structural and roll-form rack or between different parts of steel racks referenced during the conference. Petitioners assert they are all made by the same producers from the same raw materials, sold through the same channels of distribution to the same end users, and serve the same function. The petitioners do not address the domestic like product issue raised by respondent JS Products, stating that "as all of the referenced product appears to be imported, and not produced in the United States, petitioner … may consider any requested scope clarifications addressing those products" with Commerce. [64] For the purposes of these preliminary investigations, respondent UMH accepts petitioners' definition of the domestic like product.[65]

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[55] Conference transcript, p. 44 (Olson).

[56] Although cold-rolled steel can be used to produce steel rack, it is not considered cost effective. Conference transcript, p. 106 (Neal).

[57] Conference transcript, p. 35 (B. Bartlett).

[58] Petition, p. 10; Conference transcript, p. 35 (B. Bartlett).

[59] Conference transcript, p. 35 (B. Bartlett).

[60] Petition, p. 10; Conference transcript, p. 43 (Neal).

[61] Conference transcript, p. 35 (B. Bartlett).

[62] Petition, pp. 10-11.

[63] Petition, p. 10.

[64] Petitioners' Postconference Brief, p. 2.

[65] UMH's Postconference Brief, p. 2.

Respondent JS Products, Inc. ("JS Products") believes the scope as written includes consumer grade steel racks and argues that the application of the Commission's six-factor like product analysis confirms clear dividing lines between the consumer steel storage racks imported by JS Products and warehouse/distribution steel racks.[66] Respondent Eagle Industrial Group Inc. ("Eagle") raises the same like product issue as JS Products.[67] Respondent Martins Industries, Inc. ("Martins") believes the scope as written includes tire racks and argues tire racks are a separate like product from pallet racks, as traditionally defined by the Commission.[68] Respondent Store Supply Warehouse LLC ("Store Supply") believes the scope as written includes tubular and wire steel retail racks and accessories ("TWSRRA") and argues the differences between TWSRRA and the warehouse steel racks meet the Commission's traditional six-factor test and thus, TWSRRA is a different like product.[69] Respondents Marketing Solutions, Inc. ("MSI") and Xiamen Yiree Display Fixtures Co., Ltd. ("Yiree") believe the scope as written includes retail point-of-purchase displays and custom store fixtures ("RPPD") and argues RPPD is a separate like product from steel racks based on the Commission's traditional like product factors.[70]

The Commission's decision regarding the appropriate domestic product(s) that are "like" the subject imported product is based on a number of factors including: (1) physical characteristics and uses; (2) interchangeability; (3) channels of distribution; (4) common manufacturing facilities, production processes, and production employees; (5) customer and producer perceptions; and (6) price. Information regarding these factors is discussed below.

Physical characteristics and uses

The Petitioner first notes that all steel racks are made of steel and primarily consist of uprights (either as columns alone or as columns and braces forming a frame), beams, and beam connectors or locking devices. The key physical characteristics of all steel racks is their strength and stability, resulting from the use of steel as the primary raw material and the secure attachment of vertical uprights and horizontal beams. Steel racks are available in an array of sizes, shapes, and configurations, and the Petitioner emphasizes there are no clear dividing lines between the different types of steel racks. All steel racks are used for the same end-use: storage in industrial and commercial applications. End users include big-box retail stores, warehouses, distribution and fulfillment centers, and manufacturing facilities.[71]

[66] JS Products' Postconference Brief, p. 7. See also, conference transcript, pp. 118-121 (Hanlon).
[67] Eagle's Postconference Brief, p. 4.
[68] Martins' Postconference Brief, pp. 3-4.
[69] Store Supply's Postconference Brief, p. 5.
[70] MSI and Yiree's Postconference Brief, p. 4.
[71] Petitioner's postconference brief, pp. 3-4.

Interchangeability

With many steel racks being produced to standard industry dimensions, the Petitioner notes that beams from one manufacturer can be attached to uprights from another manufacturer, and vice-versa. The Petitioner also notes that all steel racks serve the same basic storage function, while steel racks are available in an array of sizes and configurations depending on each end user's needs. Hence, many producers offer a full array of sizes and configurations, and their products can be used interchangeably.[72]

Channels of distribution

According to the Petitioner, all steel racks are available through common channels of distribution, principally through distributors in the materials-handling industry.[73]

Customer and producer perceptions

To the Petitioner, customers and producers perceive all steel racks to be a single product category. [74] The Rack Manufacturers Institute ("RMI") defines steel racks as including the full array of rack types, including selective racks, drive-in and drive-through racks, carton-flow, pallet-flow, and push-back racks, cantilever racks, and other types of steel racks.[75]

Manufacturing facilities and production employees

According to the Petitioner, all steel racks are produced by forming slit steel coils into the uprights, braces, and beams. Domestic producers of steel racks produce a full array of different types of steel racks within the same manufacturing facilities, by the same basic process, and with the same employees.[76]

Price

Finally, the Petitioner notes that steel racks are available in a range of prices depending upon size and other factors, and emphasizes that there are no clear dividing lines between different types of racks solely based on price.[77]

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[72] Petitioner's postconference brief, p. 4.
[73] Idem.
[74] Petitioner's postconference brief, pp. 4-5.
[75] Petition, Exhibit I-9.
[76] Petitioner's postconference brief, p. 3.
[77] Petitioner's postconference brief, p. 5.

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PART II: CONDITIONS OF COMPETITION IN THE U.S. MARKET

U.S. MARKET CHARACTERISTICS

Steel racks are produced in numerous designs, sizes, and configurations, and used in a diverse array of industries for applications such as holding materials, products, and heavy loads. The U.S. market for steel racks has grown since 2015, primarily as a result of warehouse construction driven by a growing economy.[1] Both the petitioners and respondents anticipate demand for steel racks to slow in the near future.[2] A majority of U.S. producers, and some foreign manufacturers that sell to the U.S. market, are members of the Rack Manufacturers Institute (RMI), which is the primary domestic industry association representing steel rack manufacturers in the U.S. market.[3]

Apparent U.S. consumption of steel racks increased *** percent from *** pounds in 2015 to *** pounds in 2017.

CHANNELS OF DISTRIBUTION

Petitioners reported that domestic steel-rack manufacturers sell their products nationwide, both directly to retailers and logistics companies and through dealers, distributors, and materials-handling system integrators to the ultimate end-use customers.[4] "Stocking distributors" hold the more common-sized rack products in their warehouse inventories, for "quick-ship" sales.[5] Distributors typically offer rack products from multiple domestic manufacturers, and many also offer imported Chinese racks.[6] More distributors are offering combinations of both domestic and Chinese-origin components in the same rack system.[7] U.S. producers and importers sold mainly to distributors (*** percent and *** percent of commercial shipments, respectively, in 2017), with sales to end users being the second most common channel of distribution (*** percent and *** percent respectively), as shown in table II-1.[8]

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[1] Petition, p. 18.

[2] Respondent UMH postconference brief, pp. 12-13, Exhibit 13; Petitioner's postconference brief, p. 6.

[3] Petition, p. 4.

[4] Conference transcript, p. 21 (Peplowski); p. 27 (Olson).

[5] Conference transcript, p. 27 (Olson).

[6] Conference transcript, p. 21 (Peplowski); pp. 23-24 (Neal).

[7] Conference transcript, p. 16 (B. Bartlett).

[8] Petition, p. 12.

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Table II-1
Steel racks: U.S. producers' and importers' U.S. commercial shipments, by sources and channels of distribution, 2015-17, January-March 2017, January-March 2018.

* * * * * * *

GEOGRAPHIC DISTRIBUTION

U.S. producers and importers reported selling steel racks to all regions in the contiguous United States (table II-2). Many firms' sales are regionally concentrated, and some firms sell nationwide.[9] For U.S. producers, 13 percent of sales were within 100 miles of their production facility, 75 percent were between 101 and 1,000 miles, and 12 percent were over 1,000 miles. Subject importers sold 67 percent within 100 miles of their U.S. point of shipment, 25 percent between 101 and 1,000 miles, and 8 percent over 1,000 miles.

Table II-2
Steel racks: Geographic market areas in the United States served by U.S. producers and importers

Region	U.S. producers	Importers
Northeast	10	9
Midwest	10	8
Southeast	10	10
Central Southwest	10	9
Mountain	9	8
Pacific Coast	9	8
Other[1]	7	5
All regions (except Other)	9	6
Reporting firms	10	11

[1] All other U.S. markets, including AK, HI, PR, and VI.

Source: Compiled from data submitted in response to Commission questionnaires.

SUPPLY AND DEMAND CONSIDERATIONS

U.S. supply

Table II-3 provides a summary of the supply factors regarding steel racks from U.S. producers and from China. Both U.S. and Chinese producers increased capacity between 2015 and 2017. U.S. producers experienced a decline in capacity utilization, while Chinese producers' capacity utilization increased. The ratio of inventories to total shipments remained higher for

[9] Conference transcript, p. 16 (B. Bartlett); p. 23 (Neal); p. 130 (R. Bartlett).

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U.S. producers than for Chinese producers. Almost all U.S. producers' shipments are domestic, while approximately half of Chinese producers' shipments are destined for the domestic Chinese market, and approximately *** percent are destined for non-U.S. export markets. Nine of 10 U.S. producers and all Chinese producers reported that they cannot switch production from steel racks to alternative products.[10]

Table II-3

Steel racks: Supply factors that affect the ability to increase shipments to the U.S. market

	Capacity (*1,000 pounds*)[1]		Capacity utilization (*percent*)		Ratio of inventories to total shipments (*percent*)		Shipments by market, 2017 (*percent*)		Able to shift to alternate products
Country	2015	2017	2015	2017	2015	2017	Home market shipments	Exports to non-U.S. markets	No. of firms reporting "yes"
United States	***	***	***	***	***	***	***	***	1 of 10
China	***	***	***	***	***	***	***	***	0 of 5

[1] The Petitioner estimated the volumes of subject imports to be substantially higher than the Commission's capacity estimates, which are based on questionnaire responses. Petition, p. 19. Petitioner's postconference brief, p. 11.

Note.--Responding U.S. producers accounted for the majority of U.S. production of steel racks in 2017. Responding foreign producer/exporter firms accounted for the majority of U.S. imports of steel racks from China during 2017. For additional data on the number of responding firms and their share of U.S. production and of U.S. imports from each subject country, please refer to Part I, "Summary Data and Data Sources."

Source: Compiled from data submitted in response to Commission questionnaires.

Domestic production

Based on available information, U.S. producers of steel racks have the ability to respond to changes in demand with moderate-to-large changes in the quantity of shipments of U.S.-produced steel racks to the U.S. market. The main contributing factors to this degree of responsiveness of supply are the availability of unused capacity and availability of inventories. Factors mitigating responsiveness of supply include a limited ability to shift shipments from alternate markets and a limited ability to shift production to or from alternate products.

U.S. producers' capacity increased approximately 15 percent between 2015 and 2017 primarily due to additions and/or expansions at existing firms, while production increased approximately 5 percent. The vast majority of U.S. production is shipped domestically. U.S. producers reported exporting minimal volumes to ***. The principal barriers to exporting

[10] U.S. producer *** reported the ability to switch production on a very limited and costly basis, without specifying any alternative products.

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include high transportation costs,[11] as well as uncompetitive pricing that is sometimes related to exchange rates.[12]

Subject imports from China

Based on available information, producers of steel racks from China have the ability to respond to changes in demand with moderate-to-large changes in the quantity of shipments of steel racks to the U.S. market. The main contributing factors to this degree of responsiveness of supply are the demonstrated ability to rapidly increase capacity, some unused capacity, and the ability to shift shipments from alternate markets. Factors mitigating responsiveness of supply include limited inventories and a limited ability to shift production to or from alternate products.

Chinese producers' capacity increased by approximately 37 percent from 2015 to 2017, while production increased approximately 56 percent. Chinese producers reported exports to other markets including ***. There are no other reported products that foreign producers can produce on the same equipment that produces steel racks.

Imports from nonsubject sources

Importer *** reported importing from ***, without stating specific quantities. U.S. producer Ridge-U-Rak stated that some steel racks are periodically imported from Canada,[13] and importer UMH stated that some steel racks are imported from Mexico.[14]

Supply constraints

Most responding firms reported no supply constraints. One of 10 U.S. producers and 3 of 12 importers reported that they experienced supply constraints since January 1, 2015. U.S. producer *** reported coil and hardware supply delays in addition to workforce constraints due to uneven timing of product demand. Importers *** reported a lack of manufacturers of tire racks, *** reported that it had insufficient inventories to meet customer orders, and *** reported that U.S. producers' lead times were running into backorders of up to 5 weeks.

U.S. demand

Demand for steel racks is largely driven by broad economic growth and storage demand that increases demand for warehousing and distribution centers. Based on available information, the overall demand for steel racks is likely to experience small-to-moderate

[11] Conference transcript, p. 60 (Neal), p. 68 (Olson).
[12] Conference transcript, p. 59 (Olson).
[13] Conference transcript, p. 85 (Olson).
[14] Conference transcript, pp. 122-123 (R. Bartlett).

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changes in response to changes in price. The main contributing factors to demand are the construction of warehousing and e-commerce distribution centers, and a somewhat limited range of substitute products for holding and storing products and materials.

End uses and cost share

Reported end uses include wire shelving, pallet racks, audio racks, furniture storage, e-commerce distribution center infrastructure, and storage of other consumer materials. Steel racks are essentially a finished product once they are fully assembled and installed. Assembly and installation costs vary based on multiple factors including the project scale and rack designs and configurations. Reported cost shares for fully assembled and installed steel racks ranged from 20 percent to 100 percent, with most firms indicating that steel racks accounted for 50 percent or more of the installed cost share.

Business cycles

Three of nine responding U.S. producers and five of 12 importers indicated that the market was subject to business cycles or distinct conditions of competition. Steel rack products typically have long lifespans, with new demand primarily coming from additional storage needs, or for the replacement of racks that were damaged by material handling vehicles.[15] U.S. producer *** reported that demand for steel racks can be seasonal as retailers prepare sites for busy construction and home building seasons, as well as site preparation before the holidays begin. Importer *** reported a typical slowdown in mid-summer due to the U.S. workforce generally taking vacations, and also a slowdown when the holiday season begins. Importer *** reported that steel racks for home use sell best after Christmas and through the spring, and again during the "back-to-school" season.

Demand trends

Most responding U.S. producers and importers reported an increase in U.S. demand for steel racks since January 1, 2015 (table II-4).

Table II-4
Steel racks: Firms' responses regarding U.S. demand and demand outside the United States

Item	Increase	No change	Decrease	Fluctuate
Demand in the United States				
U.S. producers	6	---	---	3
Importers	7	2	---	3
Demand outside the United States				
U.S. producers	3	1	---	2
Importers	5	1	---	1

Source: Compiled from data submitted in response to Commission questionnaires.

[15] Conference transcript, p. 108 (B. Bartlett).

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Substitute products

All responding U.S. producers and most responding importers (10 of 12) reported that there are no substitutes for steel racks. Importer *** reported that wooden pallets can serve as a storage substitute, and importer *** reported that plastic racks can serve as substitutes in residential and garage settings.

SUBSTITUTABILITY ISSUES

The degree of substitution between domestic and imported steel racks may depend upon such factors as steel gauge, dimensions, coating/galvanization, connecting mechanisms, load capacity, lead times between order and delivery dates, and RMI certification or other code specification. Many steel racks are produced to standard industry dimensions, and products from different producers can often be used interchangeably.[16] Based on available data, staff believes that there is a high degree of substitutability between domestically produced steel racks and steel racks imported from China.

Lead times

U.S. producers' steel racks are primarily produced-to-order while steel racks from importers are primarily sold from inventory. U.S. producers reported that 86 percent of their commercial shipments were produced-to-order, with lead times averaging 51 days. The remaining 14 percent of their commercial shipments came from inventories, with lead times averaging 13 days. In contrast, importers reported that 80 percent of their commercial shipments were from U.S. inventories, with lead times averaging 9 days. Eighteen percent of their commercial shipments were produced-to-order, with lead times averaging 96 days, and 2 percent came from foreign inventories, with lead times averaging 41 days.

Factors affecting purchasing decisions

Purchasers responding to lost sales lost revenue allegations[17] were asked to identify the main purchasing factors their firm considered in their purchasing decisions for steel racks. The major purchasing factors identified by firms include building code requirements, delivery lead time, payment terms, price, quality, and reliability of supply.

Comparison of U.S.-produced and imported steel racks

In order to determine whether U.S.-produced steel racks can generally be used in the same applications as imports from China, U.S. producers and importers were asked whether

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[16] Petition, p. 12; Petitioner's post conference brief, p. 4; Conference transcript, p. 131, p. 144 (R. Bartlett).

[17] This information is compiled from responses by purchasers identified by Petitioners or other U.S. producers to the lost sales lost revenue allegations. See Part V for additional information.

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the products can always, frequently, sometimes, or never be used interchangeably. As shown in table II-5, the majority of U.S. producers (9 of 10) and importers (7 of 9) reported that steel racks from the United States and China are always or frequently interchangeable. One U.S. producer and two importers reported that steel racks are sometimes interchangeable.

Table II-5
Steel racks: Interchangeability between steel racks produced in the United States and in other countries, by country pair

Country pair	Number of U.S. producers reporting				Number of U.S. importers reporting			
	A	F	S	N	A	F	S	N
U.S. vs. subject countries:								
U.S. vs. China	6	3	1	---	2	5	2	---
Nonsubject countries comparisons:								
U.S. vs. nonsubject	6	2	---	---	1	1	1	---
China vs. nonsubject	5	---	---	---	1	3	---	---

Note.—A=Always, F=Frequently, S=Sometimes, N=Never.

Source: Compiled from data submitted in response to Commission questionnaires.

In addition, producers and importers were asked to assess how often differences other than price were significant in sales of steel racks from the United States, China, or nonsubject countries. As seen in table II-6, the majority of U.S. producers reported that differences other than price were never significant, while a plurality of importers reported that differences other than price were always significant. U.S. producer *** reported that quality, product range, and technical support were frequently significant factors other than price between the United States and China. Importers *** cited availability, and importer *** cited engineering and prototyping as significant factors other than price. Importer *** reported that steel racks from the United States and Spain have different connections between frames and beams, as well as different seismic specifications.

Table II-6
Steel racks: Significance of factors other than price between steel racks produced in the United States and in other countries, by country pair

Country pair	Number of U.S. producers reporting				Number of U.S. importers reporting			
	A	F	S	N	A	F	S	N
U.S. vs. subject countries:								
U.S. vs. China	1	1	2	6	5	1	4	1
Nonsubject countries comparisons:								
U.S. vs. nonsubject	---	1	2	5	3	1	---	---
China vs. nonsubject	---	1	1	4	2	2	---	---

Note.--A = Always, F = Frequently, S = Sometimes, N = Never.

Source: Compiled from data submitted in response to Commission questionnaires.

PART III: U.S. PRODUCERS' PRODUCTION, SHIPMENTS, AND EMPLOYMENT

The Commission analyzes a number of factors in making injury determinations (see 19 U.S.C. §§ 1677(7)(B) and 1677(7)(C)). Information on the subsidies and dumping margins was presented in *Part I* of this report and information on the volume and pricing of imports of the subject merchandise is presented in *Part IV* and *Part V*. Information on the other factors specified is presented in this section and/or *Part VI* and (except as noted) is based on the questionnaire responses of 10 firms that accounted for the majority of U.S. production of steel racks during 2017.

U.S. PRODUCERS

The Commission issued a U.S. producer questionnaire to 17 firms based on information contained in the petition. Ten firms provided usable data on their productive operations.[1] Staff believes that these responses represent most of U.S. production of steel racks.

Table III-1 lists U.S. producers of steel products, their production locations, positions on the petition, and shares of total production.

Table III-1
Steel racks: U.S. producers of steel racks, their positions on the petition, production locations, and shares of reported production, 2017

Firm	Position on petition	Production location(s)	Share of production (percent)
Bulldog	Petitioner	Weirton, WV	***
Elite	***	Monroe, GA	***
Hannibal	Petitioner	Los Angeles, CA Houston, TX	***
Husky	Petitioner	Denver, NC	***
Penco	***	Hamilton, NC	***
Ridg-u-Rak	Petitioner	North East, PA	***
SpaceRAK	Petitioner	Marysville, MI Lodi, CA Marlette, MI	***

Table continued on next page.

[1] *** provided a questionnaire response but the data was not usable. One producer, ***, submitted a late questionnaire response that could not be incorporated into the staff report. Updated U.S. production tables were following staff review as a supplement.

Table III-1 – Continued
Steel racks: U.S. producers of steel racks, their positions on the petition, production locations, and shares of reported production, 2017

Firm	Position on petition	Production location(s)	Share of production (percent)
Speedrack	Petitioner	Sparta, MI Quincy, MI Litchfield, MI	***
Steel King	Petitioner	New London, WI Stevens Point, WI Rome, GA	***
UNARCO Material	Petitioner	Springfield, TN Lewisville, TX Pandora, OH Nashville, TN	***
Total			***

Source: Compiled from data submitted in response to Commission questionnaires.

Table III-2 presents information on U.S. producers' ownership, related and/or affiliated firms of steel racks.

Table III-2
Steel racks: U.S. producers' ownership, related and/or affiliated firms, 2015-2017

* * * * * * *

As indicated in table III-2, *** U.S. producers are related to foreign producers/exporters of the subject merchandise and *** U.S. producers are related to U.S. importers of the subject merchandise. In addition, as discussed in greater detail below, *** directly imports the subject merchandise and *** purchase the subject merchandise from U.S. importers.

Table III-3 presents U.S. producers' reported changes in operations since January 1, 2015.

Table III-3
Steel racks: U.S. producers' reported changes in operations, since January 1, 2015

* * * * * * *

U.S. PRODUCTION, CAPACITY, AND CAPACITY UTILIZATION

Table III-4 and figure III-1 present U.S. producers' production, capacity, and capacity utilization. Total capacity increased irregularly from 857.8 million pounds in 2015 to 988.6 million pounds in 2017. Total production increased from 709.3 million in 2015 to 743.3 million in 2017, peaking in 2016 with 759.6 million pounds. Despite the increase in production from 2015 to 2017, capacity utilization decreased from 82.7 percent in 2015 to 78.0 percent in 2016 and 75.2 percent in 2017. This decrease in capacity utilization was driven by the increase in

capacity of *** in 2016. Capacity and production were higher in January to March 2018 compared with January to March 2017. Consistent with the full year trend, despite the increase in production, capacity utilization in January to March 2018 was lower than capacity utilization in January to March 2017, due to higher the higher capacity of *** in January to March 2018.

Table III-4
Steel racks: U.S. producers' production, capacity, and capacity utilization, 2015-17, January to March 2017, and January to March 2018.

Item	Calendar year			January to March	
	2015	2016	2017	2017	2018
	Capacity (1,000 pounds)				
Bulldog	***	***	***	***	***
Elite	***	***	***	***	***
Hannibal	***	***	***	***	***
Husky	***	***	***	***	***
Penco	***	***	***	***	***
Ridg-u-Rak	***	***	***	***	***
SpaceRAK	***	***	***	***	***
Speedrack	***	***	***	***	***
Steel King	***	***	***	***	***
Unarco Material	***	***	***	***	***
Total capacity	857,803	973,590	988,573	248,485	256,305
	Production (1,000 pounds)				
Bulldog	***	***	***	***	***
Elite	***	***	***	***	***
Hannibal	***	***	***	***	***
Husky	***	***	***	***	***
Penco	***	***	***	***	***
Ridg-u-Rak	***	***	***	***	***
SpaceRAK	***	***	***	***	***
Speedrack	***	***	***	***	***
Steel King	***	***	***	***	***
Unarco Material	***	***	***	***	***
Total production	709,256	759,592	743,294	183,965	186,675

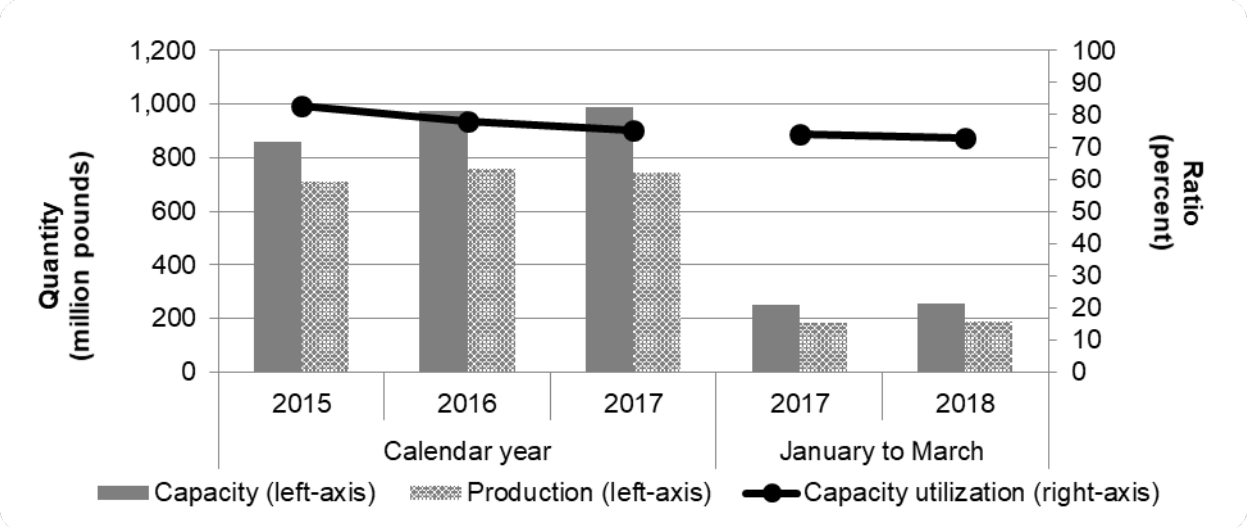
Table continued on next page.

Table III-4 – Continued
Steel racks: U.S. producers' production, capacity, and capacity utilization, 2015-17, January to March 2017, and January to March 2018.

Item	Calendar year			January to March	
	2015	2016	2017	2017	2018
	Capacity utilization (percent)				
Bulldog	***	***	***	***	***
Elite	***	***	***	***	***
Hannibal	***	***	***	***	***
Husky	***	***	***	***	***
Penco	***	***	***	***	***
Ridg-u-Rak	***	***	***	***	***
SpaceRAK	***	***	***	***	***
Speedrack	***	***	***	***	***
Steel King	***	***	***	***	***
Unarco Material	***	***	***	***	***
Average capacity utilization	82.7	78.0	75.2	74.0	72.8

Source: Compiled from data submitted in response to Commission questionnaires.

Figure III-1
Steel racks: U.S. producers' production, capacity, and capacity utilization, 2015-17, January to March 2017, and January to March 2018.



Source: Compiled from data submitted in response to Commission questionnaires.

Alternative products

As shown in table III-5, *** percent of the product produced during 2017 by U.S. producers was subject product. ***.

Table III-5
Steel racks: U.S. producers' overall plant capacity and production on the same equipment as subject production, 2015-17, January to March 2017, and January to March 2018

Item	Calendar year			January to March	
	2015	2016	2017	2017	2018
	Quantity (1,000 pounds)				
Overall capacity	***	***	***	***	***
Production:					
Steel racks	709,256	759,592	743,294	183,965	186,675
Out-of-scope production	***	***	***	***	***
Total production on same machinery	***	***	***	***	***
	Ratios and shares (percent)				
Overall capacity utilization	***	***	***	***	***
Share of production:					
Steel racks	***	***	***	***	***
Out-of-scope production	***	***	***	***	***
Total production on same machinery	***	***	***	***	***

Source: Compiled from data submitted in response to Commission questionnaires.

U.S. PRODUCERS' U.S. SHIPMENTS AND EXPORTS

Table III-6 presents U.S. producers' U.S. shipments, export shipments, and total shipments. U.S. shipments of steel racks increased from 688.0 million pounds ($615.3 million) in 2015 to 729.7 million pounds ($636.7 million) in 2017. Despite a decrease in export shipments from 2015 to 2017, total shipments increased from 2015 to 2017. The quantity of U.S. shipments in January to March 2018 was lower than the quantity of U.S. shipments during the same period in 2017. However, the value of U.S. shipments in January to March 2018 was higher than the value of U.S. shipments during January to March 2017. U.S. shipments remained the vast majority of total shipments, ranging from *** percent of total shipments by quantity to *** from 2015 to 2017. The average unit value of U.S. shipments decreased slightly from $0.89 in 2015 to $0.87 in 2016, and remained at $0.87 in 2017. The average unit value of U.S. shipments was $0.86 in January to March 2017 and $0.89 in January to March 2018.

Table III-6
Steel racks: U.S. producers' U.S. shipments, exports shipments, and total shipments, 2015-17, January to March 2017, and January to March 2018

Item	Calendar year			January to March	
	2015	2016	2017	2017	2018
	Quantity (1,000 pounds)				
U.S. shipments	688,018	739,251	729,714	187,720	186,314
Export shipments	***	***	***	***	***
Total shipments	***	***	***	***	***
	Value (1,000 dollars)				
U.S. shipments	615,320	641,556	636,727	161,680	166,134
Export shipments	***	***	***	***	***
Total shipments	***	***	***	***	***

Table continued on next page.

Table III-6 – Continued
Steel racks: U.S. producers' U.S. shipments, exports shipments, and total shipments, 2015-17, January to March 2017, and January to March 2018

Item	Calendar year			January to March	
	2015	2016	2017	2017	2018
	Unit value (dollars per pound)				
U.S. shipments	0.89	0.87	0.87	0.86	0.89
Export shipments	***	***	***	***	***
Total shipments	***	***	***	***	***
	Share of quantity (percent)				
U.S. shipments	***	***	***	***	***
Export shipments	***	***	***	***	***
Total shipments	100.0	100.0	100.0	100.0	100.0
	Share of value (percent)				
U.S. shipments	***	***	***	***	***
Export shipments	***	***	***	***	***
Total shipments	100.0	100.0	100.0	100.0	100.0

Source: Compiled from data submitted in response to Commission questionnaires.

U.S. PRODUCERS' INVENTORIES

Table III-7 presents U.S. producers' end-of-period inventories and the ratio of these inventories to U.S. producers' production, U.S. shipments, and total shipments**.** Inventories increased from 70.3 million pounds in 2015 to 82.3 million pounds in 2017 and were higher in January to March 2017 than during the same period in 2018. Relative to U.S. production, U.S. shipments, and total shipments, the ratio of inventories increased from 2015 to 2017 and was higher in January to March 2018 than in January to March 2017.

Table III-7
Steel racks: U.S. producers' inventories, 2015-17, January to March 2017, and January to March 2018

Item	Calendar year			January to March	
	2015	2016	2017	2017	2018
	Quantity (1,000 pounds)				
U.S. producers' end-of-period inventories	70,316	76,677	82,257	66,603	79,523
	Ratio (percent)				
Ratio of inventories to.--					
U.S. production	9.9	10.1	11.1	9.1	10.6
U.S. shipments	10.2	10.4	11.3	8.9	10.7
Total shipments	10.0	10.2	11.1	8.8	10.5

Source: Compiled from data submitted in response to Commission questionnaires.

U.S. PRODUCERS' IMPORTS AND PURCHASES

U.S. producers' imports and purchases of steel racks are presented in table III-8. ***.[2]

Table III-8
Steel racks: U.S. producers' U.S. production, imports and purchases, 2015-17, January to March 2017, and January to March 2018

* * * * * * *

U.S. EMPLOYMENT, WAGES, AND PRODUCTIVITY

Table III-9 shows U.S. producers' employment-related data. The total number of production related workers ("PRWs") and total hours worked increased from 2015 to 2017, while hours worked per PRW and productivity decreased over the same. Hourly wages also rose from 2015 to 2017. Higher wage rates and lower productivity resulted in rising unit labor costs during 2015 to 2017. PRWs and productivity were lower from January to March 2017 than January to March 2018. Total hours worked were lower by one hour and unit labor costs were lower by one cent in January to March 2018 compared with the same period in 2017. Hours worked per PRW, total wages paid, and hourly wages were lower in January to March 2018 than January to March 2017.

Table III-9
Steel racks: Average number of production and related workers, hours worked, wages paid to such employees, hourly wages, productivity, and unit labor costs, 2015-17, January to March 2017, and January to March 2018

Item	Calendar year			January to March	
	2015	2016	2017	2017	2018
Production and related workers (PRWs) (number)	1,791	1,934	1,973	1,916	2,000
Total hours worked (1,000 hours)	3,575	3,841	3,912	1,569	1,568
Hours worked per PRW (hours)	1,996	1,986	1,983	819	784
Wages paid ($1,000)	81,097	92,692	95,847	36,670	35,314
Hourly wages (dollars per hour)	$22.69	$24.13	$24.50	$23.37	$22.52
Productivity (pounds per hour)	198.4	197.8	190.0	117.2	119.0
Unit labor costs (dollars per pound)	$0.11	$0.12	$0.13	$0.20	$0.19

Source: Compiled from data submitted in response to Commission questionnaires.

[2] *** questionnaire response.

PART IV: U.S. IMPORTS, APPARENT U.S. CONSUMPTION, AND MARKET SHARES

U.S. IMPORTERS

The Commission issued importer questionnaires to 190 firms believed to be importers of subject steel racks, as well as to all U.S. producers of steel racks.[1] Usable questionnaire responses were received from 13 companies.[2] HTS statistical reporting numbers 7326.90.8688 and 9403.20.0080 are "basket" categories preventing staff from obtaining a reliable coverage estimate for these preliminary investigations. Table IV-1 lists all responding U.S. importers of steel racks from China and other sources, their locations, and their shares of U.S. imports, in 2017.

Table IV-1
Steel racks: U.S. importers and their share of total imports by source, 2017

Firm	Headquarters	Share of imports by source (percent)		
		China	Nonsubject sources	All import sources
Arizona	Tempe, AZ	***	***	***
Baker	Brookshire, TX	***	***	***
Claytons	New Milford, CT	***	***	***
Eagle	Lake Forest, CA	***	***	***
Elite	Monroe, GA	***	***	***
Grainger	Lake Forest, IL	***	***	***
Interlake	Melrose Park, IL	***	***	***
Martins	Farnham, QC	***	***	***
North Shore	Houston, TX	***	***	***
REB Steel	Chicago, II	***	***	***
TruAudio	Hurricane, UT	***	***	***
United Material	Perris, CA	***	***	***
Warehouse	Houston, TX	***	***	***
Total		***	***	***

Source: Compiled from data submitted in response to Commission questionnaires.

U.S. IMPORTS

Table IV-2 and figure IV-1 present data for U.S. imports of steel racks from China and all other sources. From 2015 to 2017, U.S. imports of steel racks from China increased by 122.4

[1] The Commission issued questionnaires to those firms identified in the petition, along with firms that, based on a review of data provided by U.S. Customs and Border Protection ("Customs"), may have accounted for more than one percent of total imports under HTS statistical reporting numbers 7326.90.8688 and 9403.20.0080 in 2017.

[2] Twenty firms confirmed that they do not import steel racks. An additional five firms filed questionnaire responses but their reported imports were determined to be out of scope.

percent. U.S. subject imports of steel racks increased from 39.6 million pounds in 2015 to 76.7 million pounds in 2016 before increasing further to 88.1 million pounds in 2017. Subject imports from January to March 2018 were also higher than the same period in 2017, increasing from 19.3 million to 19.8 million pounds. The average unit values of subject imports also increased from $0.47 in 2015 to $0.5 in 2017 and the average unit values in January to March 2018 were also higher than the average unit values during the same period in 2017. When compared with U.S. production of steel racks, U.S. imports of steel racks increased from the equivalent of 5.6 percent of U.S. production of steel racks in 2015 to the equivalent of 11.9 percent of U.S. production of steel racks in 2017. Nonsubject imports decreased from *** in 2015 to *** in 2017. The average unit values for nonsubject imports remained constant at *** from 2015 to 2017.

Table IV-2
Steel racks: U.S. imports by source, 2015-17, January to March 2017, and January to March 2018.

Item	Calendar year			January to March	
	2015	2016	2017	2017	2018
	Quantity (1,000 pounds)				
U.S. imports from.--					
China	39,620	76,709	88,136	19,311	19,824
Nonsubject sources	***	***	***	***	***
All import sources	***	***	***	***	***
	Value (1,000 dollars)				
U.S. imports from.--					
China	18,547	36,903	44,146	9,204	11,899
Nonsubject sources	***	***	***	***	***
All import sources	***	***	***	***	***
	Unit value (dollars per pound)				
U.S. imports from.--					
China	0.47	0.48	0.50	0.48	0.60
Nonsubject sources	***	***	***	***	***
All import sources	***	***	***	***	***
	Share of quantity (percent)				
U.S. imports from.--					
China	***	***	***	***	***
Nonsubject sources	***	***	***	***	***
All import sources	***	***	***	***	***
	Share of value (percent)				
U.S. imports from.--					
China	***	***	***	***	***
Nonsubject sources	***	***	***	***	***
All import sources	***	***	***	***	***
	Ratio to U.S. production				
U.S. imports from.--					
China	5.6	10.1	11.9	10.5	10.6
Nonsubject sources	***	***	***	***	***
All import sources	***	***	***	***	***

Notes continued on next page.

Note.--Shares and ratios shown as "0.0" represent values greater than zero, but less than "0.05" percent. U.S. imports from China are based on responding foreign producers' exports to the United States for quantity, and value derived from AUVs of responding U.S. importers for imports from China. Nonsubject sources are ***.

Source: Compiled from data submitted in response to Commission questionnaires.

Figure IV-1

Steel racks: U.S. import volumes and prices, 2015-17, January to March 2017, and January to March 2018

* * * * * * *

NEGLIGIBILITY

The statute requires that an investigation be terminated without an injury determination if imports of the subject merchandise are found to be negligible.[3] Negligible imports are generally defined in the Act, as amended, as imports from a country of merchandise corresponding to a domestic like product where such imports account for less than 3 percent of the volume of all such merchandise imported into the United States in the most recent 12-month period for which data are available that precedes the filing of the petition or the initiation of the investigation. However, if there are imports of such merchandise from a number of countries subject to investigations initiated on the same day that individually account for less than 3 percent of the total volume of the subject merchandise, and if the imports from those countries collectively account for more than 7 percent of the volume of all such merchandise imported into the United States during the applicable 12-month period, then imports from such countries are deemed not to be negligible.[4] Table IV-3 presents data on U.S. imports of steel racks from quantity in the twelve months prior to the filing of the petition. Imports from China accounted for *** percent of total reported imports of steel racks by quantity during the twelve months preceding the filing of the petition.

Table IV-3
Steel racks: U.S. imports in the twelve month period preceding the filing of the petition, June 2017 through May 2018

Item	June 2017 through May 2018	
	Quantity (1,000 pounds)	Share quantity (percent)
U.S. imports from.--		
China	58,637	***
Nonsubject sources	***	***
All import sources	***	100.0

Source: Compiled from data submitted in response to Commission questionnaires.

[3] Sections 703(a)(1), 705(b)(1), 733(a)(1), and 735(b)(1) of the Act (19 U.S.C. §§ 1671b(a)(1), 1671d(b)(1), 1673b(a)(1), and 1673d(b)(1)).

[4] Section 771 (24) of the Act (19 U.S.C § 1677(24)).

U.S. IMPORTERS' U.S. SHIPMENTS BY TYPE

Table IV-4 and figure IV-2 present data on shipments of racks by coating type. *** percent of all racks are coated with paint. Most U.S.-produced steel racks, *** percent, are coated with paint and *** percent of U.S.-produced steel racks are coated with epoxy. Of subject imports of steel racks, *** percent are coated with paint and *** percent of subject imported racks have an "other" coating. A majority of all imported steel racks, *** percent, have a paint coating.

Table IV-4
Steel racks: U.S. producers' and U.S. importers' U.S. shipments by coating, 2017

* * * * * * *

Figure IV-2
Steel racks: U.S. producers' and U.S. importers' U.S. shipments by coating, 2017

* * * * * * *

Table IV-5 presents data on shipments of rack by rack type. All ten U.S. producers reported producing pallet racks. Eight producers reported producing drive-in racks, drive-through racks, pallet-flow racks, and pick modules. Seven producers reported producing cantilever racks, case-flow racks, and push-back racks. Eight U.S. importers of steel racks reported importing pallet racks and seven reported importing cantilever racks. Pallet racks and cantilever racks are produced in standard sizes and make up the majority of the market.[5] Respondents believe roll-form pallet racks make up the majority of U.S. imports of steel racks from China, with a smaller percentage of U.S. imports being structural cantilever racks.[6]

[5] Conference transcript, p. 75 (Peplowski).
[6] Conference transcript, pp. 131-132 (Bartlett).

Table IV-5
Steel racks: U.S. producers' production and sales and U.S. importers' importation and sales/usage by rack type, 2017

Region	U.S. producers	U.S. importers
Cantilever rack	7	7
Case-flow rack	7	3
Drive-in rack	8	3
Drive-through rack	8	2
Movable shelf rack	1	---
Pallet-flow rack	8	2
Pallet rack	10	8
Pick modules	8	4
Portable rack, stacking frames	3	4
Push-back rack	7	3
Stacker rack	6	2
Other steel racks or parts thereof	1	3

Source: Compiled from data submitted in response to Commission questionnaires.

APPARENT U.S. CONSUMPTION[7]

Table IV-6 and figure IV-3 present data on apparent U.S. consumption for steel racks. Apparent U.S. consumption increased from *** pounds in 2015 to *** pounds in 2017. Apparent consumption in January to March 2018 was *** pounds higher than January to March 2017. From 2015 to 2017, U.S. producers' U.S. shipments increased 7.4 percent and U.S. shipments of imports from China increased 55.0 percent. U.S. shipments of imports from nonsubject sources decreased *** percent at the same time.

[7] One producer, ***, submitted a late questionnaire response that was not able to be incorporated into the staff report.

Table IV-6
Steel racks: U.S. shipments of domestic product, U.S. shipments of imports, and apparent U.S. consumption, 2015-17, January to March 2017, and January to March 2018

Item	Calendar year			January to March	
	2015	2016	2017	2017	2018
	Quantity (1,000 pounds)				
U.S. producers' U.S. shipments	688,018	739,251	729,714	187,720	186,314
U.S. imports from.--					
China	39,620	76,709	88,136	19,311	19,824
Nonsubject sources	***	***	***	***	***
All import sources	***	***	***	***	***
Apparent U.S. consumption	***	***	***	***	***
	Value (1,000 dollars)				
U.S. producers' U.S. shipments	615,320	641,556	636,727	161,680	166,134
U.S. imports from.--					
China	18,547	36,903	44,146	9,204	11,899
Nonsubject sources	***	***	***	***	***
All import sources	***	***	***	***	***
Apparent U.S. consumption	***	***	***	***	***

Note.--Shares and ratios shown as "0.0" represent values greater than zero, but less than "0.05" percent. U.S. imports from China are based on responding foreign producers' exports to the United States for quantity, and value derived from AUVs of responding U.S. importers for imports from China.

Source: Compiled from data submitted in response to Commission questionnaires.

Figure IV-3
Steel racks: Apparent U.S. consumption, 2015-17, January to March 2017, and January to March 2018

* * * * * * *

U.S. MARKET SHARES[8]

U.S. market share data are presented in table IV-7. From 2015 to 2017, U.S. producers' share of the market by quantity decreased from *** percent to *** percent and by value decreased from *** percent to *** percent. Subject imports' share of the market by quantity increased from *** percent in 2015 to *** percent in 2017. However, subject imports' market share in January to March 2018 was *** percent lower than market share in January to March 2017. Alternatively, while nonsubject imports' share of the market decreased by *** percentage points from 2015 to 2017, nonsubject imports' market share in January to March 2018 *** and was *** percentage points higher than January to March 2017. Market share of

[8] One producer, ***, submitted a late questionnaire response that was not able to be incorporated into the staff report.

total U.S. imports increased from 2015 to 2017 and was higher in January to March 2018 than January to March 2017.

Table IV-7
Steel racks: Market shares, 2015-2017, January to March 2017, and January to March 2018

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PART V: PRICING DATA

FACTORS AFFECTING PRICES

Raw material costs

Steel racks are made from roll-formed or structural steel.[1] The majority of steel racks are produced by roll-forming slit steel coil into uprights, braces, and beams.[2] A relatively smaller share of steel racks are produced using structural steel.[3] The most commonly referenced benchmark in the steel rack industry for steel prices is the American Metal Market Midwest index for hot-rolled steel (figure V-1).[4]

Steel inputs account for about two-thirds of a steel rack system product cost, although this percentage changes with the price of steel, which has recently trended upward due to newly imposed steel tariffs.[5] The remaining steel rack input costs include paint, weld wire, factory supplies, overhead expenses, and labor.[6] Raw materials accounted for approximately 61 percent of the cost of goods sold during 2015-17.

Figure V-1
American Metal Market, Hot-rolled steel coil index, U.S. domestic Midwest FOB mill, Average Mid, U.S. dollars per hundredweight, January 2015-March 2018.

* * * * * * *

Transportation costs to the U.S. market

Estimated transportation costs for steel racks shipped from China to the United States averaged 7.4 percent during 2017. These estimates were derived from official import data of a basket HTS classification, and represent the transportation and other charges on imports.[7]

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[1] Conference transcript, p. 20 (Peplowski), p. 23 (Neal), pp. 35-36 (B. Bartlett), p. 65 (Neal).
[2] Petition, p. 12.
[3] Conference transcript, p. 64 (Schagrin).
[4] Conference transcript, pp. 88-90 (Olson, B. Bartlett, Anderson).
[5] Conference transcript, p. 22 (Peplowski), p. 29 (Olson), p. 32 (Anderson).
[6] Conference transcript, p. 90 (Peplowski, Olson).
[7] The estimated transportation costs were obtained by subtracting the customs value from the c.i.f. value of the imports for 2017 and then dividing by the customs value based on the HTS subheading 7326.90.8688. There is no dedicated HTS subheading for steel racks. The petitioner identified HTS 7326.90.8688 as a basket tariff classification code through which steel racks enter the United States.

U.S. inland transportation costs

Five of 10 responding U.S. producers and 9 of 12 importers reported that they typically arrange transportation to their customers. Most U.S. producers reported that their U.S. inland transportation costs ranged from 6 to 15 percent while most importers reported costs of 2 to 15 percent.

PRICING PRACTICES

Pricing methods

U.S. producers and importers reported using transaction-by-transaction negotiations, contracts, set price lists, and other pricing methods, including discounts and quotes that fluctuated based on cost variations, competitor pricing, and order volume. As presented in table V-1, U.S. producers and importers sell primarily on a transaction-by-transaction basis.

Table V-1
Steel racks: U.S. producers' and importers' reported price setting methods, by number of responding firms[1]

Method	U.S. producers	Importers
Transaction-by-transaction	8	9
Contract	5	2
Set price list	4	4
Other	2	3
Responding firms	10	12

[1] The sum of responses down may not add up to the total number of responding firms as each firm was instructed to check all applicable price setting methods employed.

Source: Compiled from data submitted in response to Commission questionnaires.

U.S. producers reported selling the vast majority of their steel racks through spot sales for specific projects, while importers reported selling the vast majority of their steel tracks through short-term contracts (table V-2).

Table V-2
Steel racks: U.S. producers' and importers' shares of U.S. commercial shipments by type of sale, 2017

* * * * * * *

U.S. producers' short-term contracts ranged from 30 to 120 days, while long-term contracts ranged from 2 to 4 years. Six U.S. producers reported that they do not renegotiate prices, and one U.S. producer reported price renegotiation during the contract period. Six U.S. producers reported contracts with either fixed prices (4), or both fixed quantities and prices (2). Five U.S. producers reported that contracts do not contain meet-or-release provisions.

Importers' short-term contracts ranged from 10 to 126 days. Four importers reported that they do not renegotiate prices, and one importer reported price renegotiation during the

contract period. Five importers reported contracts with either fixed quantities (1) or both fixed quantities and fixed prices (4). One importer reported contracts with meet-or-release provisions, and three importers reported that they did not have contracts with meet-or-release provisions.

Purchasers provided a general description of their firms' method of purchase for steel racks, including bids or purchase orders that account for factors such as price, availability, and lead time.

Sales terms and discounts

U.S. producers and importers most frequently quote prices on an f.o.b. basis. Seven U.S. producers reported quantity discounts, two reported total volume discounts, four reported no discount policy, and two reported other discounts based on project profitability or cost-plus discounts. Four importers reported quantity discounts and seven reported no discount policy. All U.S. producers reported sales terms of net 30 days. Seven importers reported sales terms of net 30 days, one reported net 60 days, and six reported other sales terms of various durations and terms.

Price leadership

Due to the relatively high transportation costs of moving steel rack systems, price leadership in the steel rack industry may vary based on geographic region and availability.[8]

PRICE DATA

The Commission requested U.S. producers and importers to provide quarterly data for the total quantity and f.o.b. value of the following steel racks products shipped to unrelated U.S. customers during January 2015-March 2018.

Product 1.--Beam, non-galvanized, 96" length, 4" face, 3 pins connection, 1 5/8" step

Product 2.--Beam, non-galvanized, 120" length, 5" face, 4 pins connection, 1 5/8" step

Product 3.--Frame, non-galvanized, 14 gauge, 3" x 1 5/8" posts, 42" x 120"

Product 4.--Frame, non-galvanized, 14 gauge, 3" x 3" posts, 42" x 192"

[8] U.S. producer Hannibal reported being the largest U.S. producer west of the Mississippi. Conference transcript, p. 15 (B. Bartlett). U.S. producer UNARCO reported sales nationwide. Conference transcript, p. 23 (Neal). U.S. producer Ridge-U-Rak cited a business presence and knowledge of markets near the Canadian border. Conference transcript, p. 85 (Olson). Importer UMH reported that the majority of the firm's sales were in the southwest United States. Conference transcript, p. 130 (R. Bartlett).

Ten U.S. producers and 12 importers provided usable pricing data for sales of the requested products, although not all firms reported pricing for all products for all quarters.[9] Pricing data reported by these firms accounted for approximately 5.5 percent of U.S. producers' shipments of steel racks and 7.2 percent of U.S. shipments of subject imports from China in 2017.

Price data for products 1-4 are presented in tables V-3 to V-6 and figures V-2 to V-5.[10]

Table V-3
Steel racks: Weighted-average f.o.b. prices and quantities of domestic and imported product 1[1] and margins of underselling/(overselling), by quarters, January 2015-March 2018

	United States		China		
Period	Price (per pound)	Quantity (pounds)	Price (per pound)	Quantity (pounds)	Margin (percent)
2015:					
Jan.-Mar.	0.69	8,471,003	***	***	***
Apr.-June	0.68	9,367,861	***	***	***
July-Sept.	0.68	7,756,702	***	***	***
Oct.-Dec.	0.68	8,918,521	***	***	***
2016:					
Jan.-Mar.	0.69	8,726,284	0.68	606,699	1.1
Apr.-June	0.67	7,445,208	0.68	662,138	(1.5)
July-Sept.	0.69	6,005,485	0.66	707,776	3.5
Oct.-Dec.	0.68	7,187,429	0.63	641,298	7.6
2017:					
Jan.-Mar.	0.65	7,729,228	0.63	868,404	3.8
Apr.-June	0.68	7,883,723	0.66	895,896	3.4
July-Sept.	0.72	7,803,791	0.65	1,067,380	9.2
Oct.-Dec.	0.69	7,419,074	0.64	1,066,957	7.9
2018:					
Jan.-Mar.	0.69	7,846,731	0.69	762,165	0.3

[1] Product 1: Beam, non-galvanized, 96" length, 4" face, 3 pins connection, 1 5/8" step

Source: Compiled from data submitted in response to Commission questionnaires.

[9] Per-unit pricing data are calculated from total quantity and total value data provided by U.S. producers and importers. The precision and variation of these figures may be affected by rounding, limited quantities, and producer or importer estimates.

[10] Price data from U.S. producers ***, and importers ***, was excluded from the data set due to uncertainties related to product descriptions, values, and/or differentiation of pricing products.

Table V-4
Steel racks: Weighted-average f.o.b. prices and quantities of domestic and imported product 2[1] and margins of underselling/(overselling), by quarters, January 2015-March 2018

Period	United States		China[2]		
	Price (per pound)	Quantity (pounds)	Price (per pound)	Quantity (pounds)	Margin (percent)
2015:					
Jan.-Mar.	0.69	369,159	***	***	***
Apr.-June	0.67	411,159	***	***	***
July-Sept.	0.66	486,267	***	***	***
Oct.-Dec.	0.65	541,948	***	***	***
2016:					
Jan.-Mar.	0.65	658,212	***	***	***
Apr.-June	0.66	436,800	***	***	***
July-Sept.	0.69	417,950	***	***	***
Oct.-Dec.	0.68	892,099	***	***	***
2017:					
Jan.-Mar.	0.66	995,097	***	***	***
Apr.-June	0.69	405,843	***	***	***
July-Sept.	0.66	1,091,044	***	***	***
Oct.-Dec.	0.67	787,311	***	***	***
2018:					
Jan.-Mar.	0.70	534,971	***	***	***

[1] Product 2: Beam, non-galvanized, 120” length, 5” face, 4 pins connection, 1 5/8” step
[2] Importers *** were the only firms with usable price data for product 2 from China.

Source: Compiled from data submitted in response to Commission questionnaires.

Table V-5
Steel racks: Weighted-average f.o.b. prices and quantities of domestic and imported product 3[1] and margins of underselling/(overselling), by quarters, January 2015-March 2018

Period	United States		China[2]		
	Price (per pound)	Quantity (pounds)	Price (per pound)	Quantity (pounds)	Margin (percent)
2015:					
Jan.-Mar.	0.85	174,213	--	0	--
Apr.-June	0.81	193,110	--	0	--
July-Sept.	0.82	238,170	--	0	--
Oct.-Dec.	0.81	210,740	--	0	--
2016:					
Jan.-Mar.	0.81	266,205	***	***	***
Apr.-June	0.83	246,919	--	0	--
July-Sept.	0.80	183,999	--	0	--
Oct.-Dec.	0.87	188,355	--	0	--
2017:					
Jan.-Mar.	0.86	182,793	***	***	***
Apr.-June	0.92	166,611	***	***	***
July-Sept.	0.80	110,329	***	***	***
Oct.-Dec.	0.86	186,835	***	***	***
2018:					
Jan.-Mar.	0.96	175,339	***	***	***

[1] Product 3: Frame, non-galvanized, 14 gauge, 3" x 1 5/8" posts, 42" x 120"
[2] Importer *** was the only firm with usable price data for product 3 from China.

Source: Compiled from data submitted in response to Commission questionnaires.

Table V-6
Steel racks: Weighted-average f.o.b. prices and quantities of domestic and imported product 4[1] and margins of underselling/(overselling), by quarters, January 2015-March 2018

Period	United States		China[2]		
	Price (per pound)	Quantity (pounds)	Price (per pound)	Quantity (pounds)	Margin (percent)
2015:					
Jan.-Mar.	0.82	1,263,382	--	0	--
Apr.-June	0.78	1,363,139	--	0	--
July-Sept.	0.82	1,282,660	--	0	--
Oct.-Dec.	0.80	1,433,799	***	***	***
2016:					
Jan.-Mar.	0.79	1,528,078	***	***	***
Apr.-June	0.80	1,545,254	***	***	***
July-Sept.	0.85	1,291,246	***	***	***
Oct.-Dec.	0.84	1,323,588	***	***	***
2017:					
Jan.-Mar.	0.83	1,284,932	***	***	***
Apr.-June	0.83	1,348,198	***	***	***
July-Sept.	0.88	1,286,278	***	***	***
Oct.-Dec.	0.86	1,319,177	***	***	***
2018:					
Jan.-Mar.	0.86	1,367,441	***	***	***

[1] Product 4: Frame, non-galvanized, 14 gauge, 3" x 3" posts, 42" x 192"
[2] Importers *** were the only firms with usable price data for product 4 from China.

Source: Compiled from data submitted in response to Commission questionnaires.

Figure V-2
Steel racks: Weighted-average prices and quantities of domestic and imported product 1, by quarters, January 2015-March 2018

* * * * * * *

Figure V-3
Steel racks: Weighted-average prices and quantities of domestic and imported product 2, by quarters, January 2015-March 2018

* * * * * * *

Figure V-4
Steel racks: Weighted-average prices and quantities of domestic and imported product 3, by quarters, January 2015-March 2018

* * * * * * *

Figure V-5
Steel racks: Weighted-average prices and quantities of domestic and imported product 4, by quarters, January 2015-March 2018

* * * * * * *

Price trends

In general, domestic steel rack prices were mostly steady during January 2015-March 2018, with increased fluctuation and small price increases in 2017 and the first quarter of 2018. Domestic prices increased from 0.7 to 14.0 percent during January 2015-March 2018 while import price increases ranged from *** to *** percent for products 1 and 2; data were limited for product 3, and not available for most of 2015 for product 4. Table V-7 summarizes the price trends, by country and by product.

Table V-7
Steel racks: Summary of weighted-average f.o.b. prices for products 1-4 from the United States and China

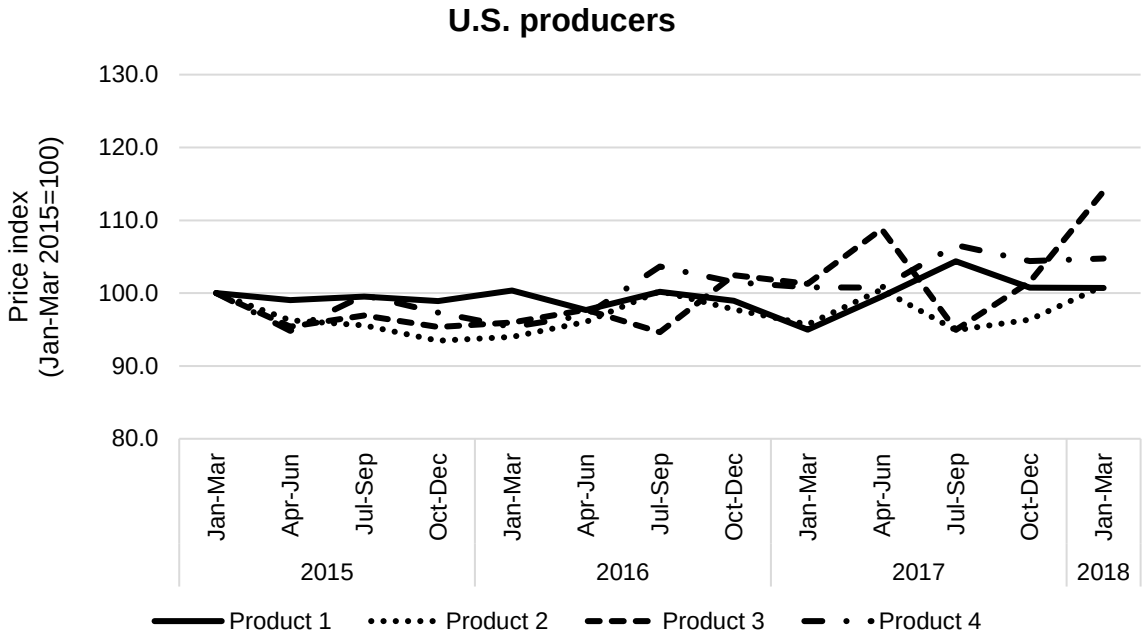
Item	Number of quarters	Low price (per pound)	High price (per pound)	Change in price[1] (percent)
Product 1				
United States	13	0.65	0.72	0.7
China	13	***	***	***
Product 2				
United States	13	0.65	0.70	1.0
China	13	***	***	***
Product 3				
United States	13	0.80	0.96	14.0
China	6	***	***	***
Product 4				
United States	13	0.78	0.88	4.8
China	10	***	***	***

[1] Percentage change from the first quarter of 2015 to the first quarter of 2018. No percentage change was calculated for pricing products that did not have pricing data available for first and last quarters of the analysis period.
Note.--Product 4 from China had the same average price in January-March 2018 as in October-December 2015.

Source: Compiled from data submitted in response to Commission questionnaires.

Indexed price data compares how products 1-4 trended for U.S. producers in figure V-6, and for subject importers in figure V-7.

Figure V-6
Steel racks: U.S. producer prices indexed, January 2015-March 2018



Source: Compiled from data submitted in response to Commission questionnaires.

Figure V-7
Steel racks: U.S. importer prices indexed, January 2015-March 2018

* * * * * * *

Price comparisons

As shown in table V-8, prices for steel racks imported from China were below those for U.S.-produced steel racks in 31 of 42 instances (9.5 million pounds); margins of underselling ranged from *** to *** percent. In the remaining 11 instances (1.0 million pounds), prices for steel racks from China were between *** and *** percent above prices for the domestic product. Most of the overselling was for product 2.

Table V-8
Steel racks: Instances of underselling/overselling and the range and average of margins, by country, January 2015-March 2018

Source	Underselling				
	Number of quarters	Quantity[1] (pounds)	Average margin (percent)	Margin range (percent)	
				Min	Max
Product 1	***	***	***	***	***
Product 2	***	***	***	***	***
Product 3	***	***	***	***	***
Product 4	***	***	***	***	***
All Products	31	9,540,405	9.1	***	***
Source	**(Overselling)**				
	Number of quarters	**Quantity[1] (pounds)**	**Average margin (percent)**	**Margin range (percent)**	
				Min	**Max**
Product 1	***	***	***	***	***
Product 2	***	***	***	***	***
Product 3	***	***	***	***	***
Product 4	***	***	***	***	***
All Products	11	991,805	(6.2)	***	***

[1]These data include only quarters in which there is a comparison between the U.S. and subject product.

Note.--There was no comparable price data available for Product 3 from China in 2015 and the final three quarters of 2016. Also, there was no comparable price data available for Product 4 from China in the first three quarters of 2015.

Source: Compiled from data submitted in response to Commission questionnaires.

LOST SALES AND LOST REVENUE

The Commission requested that U.S. producers of steel racks report purchasers where they experienced instances of lost sales or revenue due to competition from imports of steel racks from China during January 2015-March 2018. Of the 10 responding U.S. producers, six reported that they had to either reduce prices or roll back announced price increases, and eight firms reported that they had lost sales. Three U.S. producers (***) submitted lost sales and lost revenue allegations, identifying 38 firms[11] where they lost sales or revenue (24 consisting lost sales allegations, and 14 consisting of both lost sales and lost revenue allegations).

Staff contacted 38 purchasers and received lost sales lost revenue survey responses from six purchasers. Responding purchasers reported purchasing *** pounds of steel racks during January 2015-March 2018 (table V-9).

Table V-9
Steel racks: Purchasers' responses to purchasing patterns

* * * * * * *

During 2017, responding purchasers purchased 95.8 percent from U.S. producers, 3.8 percent from China, and 0.3 percent from "all other" countries.[12] Of the responding purchasers, four reported increasing purchases from domestic producers, and two reported decreasing purchases (table V-10). Explanations for increasing purchases of domestic product included growing businesses with increased sales. Explanations for decreasing purchases of domestic product included long lead times with U.S. producers, unfavorable payment terms, restricted distribution channels, and uncompetitive pricing.

Table V-10
Steel racks: Changes in purchase patterns from U.S., subject, and nonsubject countries

Source of purchases	Did not purchase	Decreased	Increased	Constant	Fluctuated
United States	---	2	4	---	---
China	---	1	2	---	2
All other sources	3	2	---	---	---
Sources unknown	5	---	---	---	---

Source: Compiled from data submitted in response to Commission questionnaires.

Of the six responding purchasers, five reported that, since 2015, they had purchased imported steel racks from China instead of U.S.-produced product. Three of these purchasers

[11] Lost sales allegations totaled *** pounds. U.S. producers did not specify the timing, method of sale, or specific product type of the lost sales.

[12] The reported other country was Canada.

reported that subject import prices were lower than U.S.-produced product, and the same three purchasers reported that price was a primary reason for the decision to purchase imported product rather than U.S.-produced product. These three purchasers estimated the quantity of steel racks from China purchased instead of domestic product; quantities ranged from *** pounds to *** pounds (table V-11). Purchasers identified product availability and reduced lead times as non-price reasons for purchasing imported rather than U.S.-produced product.

Table V-11
Steel racks: Purchasers' responses to purchasing subject imports instead of domestic product

* * * * * * *

Of the six responding purchasers, two reported that U.S. producers had reduced prices in order to compete with lower-priced imports from China (table V-12; three reported that U.S. producers had not reduced prices and one reported that they did not know). The reported estimated price reduction ranged from 9 to 10 percent. In describing the price reductions, purchasers indicated that U.S. producers are unable to compete with steel rack imports from China.

Table V-12
Steel racks: Purchasers' responses to U.S. producer price reductions

* * * * * * *

In responding to the lost sales and lost revenue survey, some purchasers provided additional information on purchases and market dynamics. *** reported experiencing extended lead times, uncompetitive pricing, or unavailable product from U.S. producers, which led to the firm's decision to source from Chinese producers. *** reported that Chinese steel rack imports outcompete domestically produced steel racks based on price, and that U.S. producers and distributors of U.S. steel rack products are losing sales to competitors that sell steel racks produced in China. *** reported a preference for domestically produced steel racks, but started purchasing from China due to competitive pressures. *** also cited extended lead times from domestic producers (14 weeks) as being uncompetitive with lead times from China (6 to 8 weeks).

PART VI: FINANCIAL EXPERIENCE OF U.S. PRODUCERS

BACKGROUND

Ten U.S. producers provided timely, usable financial data. *** U.S. producers reported financial data on a calendar year basis and all responding U.S. producers reported financial data on a GAAP basis.[1] Commercial sales account for the vast majority of reported revenue, with internal consumption and transfers to related firms combined accounting for less than *** percent in 2017. Accordingly, the tables below present a combined revenue total. The three largest responding firms were ***, and they represented *** percent, *** percent, and *** percent of total net sales quantity in 2017, respectively.

OPERATIONS ON STEEL RACKS

Income-and-loss data for the U.S. producers' steel racks operations are presented in Table VI-1. Corresponding changes in average per pound values are presented in table VI-2. Table VI-3 presents selected company-specific financial data.

Net sales

As shown in table VI-1, total net sales, by both quantity and value, increased from 2015 to 2016 and decreased in 2017, but remained at levels higher than in 2015. In interim 2018, net sales quantity was lower compared to interim 2017, however net sales value was higher. The directional trend of the individual firms' sales quantities between 2015 and 2017 were mixed. The majority of the responding companies (***) reported increasing sales quantities from 2015 to 2016 and decreasing sales quantities from 2016 to 2017. However, 5 of 10 companies reported a net increase of sales quantities from 2015 to 2017 and the other 5 reported a net decrease. Between the interim periods, 7 of 10 companies reported lower net sales quantities in the first quarter of 2018 compared to the first quarter of 2017.

The average unit value ("AUV") of net sales decreased from $0.89 per pound in 2015 to $0.86 per pound in 2016, but increased to $0.87 per pound in 2017. The net sales AUV was higher in the first quarter of 2018 ($0.89 per pound) compared to the first quarter of 2017 ($0.86 per pound). The directional trend of the individual firms' average unit sales values was mixed, with *** of 10 companies reporting higher net sales AUVs in 2017 than in 2015, and the other *** companies reporting AUVs that were lower or unchanged. The comparison of the interim periods had similar results, with *** of 10 companies reporting higher net sales AUVs in the first quarter of 2018 compared to the first quarter of 2017, and the other *** companies reporting AUVs that were lower or unchanged.

[1] ***.

Table VI-1
Steel racks: Results of operations of U.S. producers, 2015-17, January-March 2017, and January-March 2018

Item	Fiscal year			January to March	
	2015	2016	2017	2017	2018
	Quantity (1,000 pounds)				
Total net sales	698,028	756,992	742,721	189,793	188,122
	Value (1,000 dollars)				
Total net sales	620,536	648,015	643,276	163,789	167,371
Cost of goods sold.-- Raw materials	316,973	318,826	326,326	82,298	86,985
Direct labor	69,689	75,845	77,292	19,547	19,698
Other factory costs	129,774	135,285	123,896	33,422	35,967
Total COGS	516,436	529,956	527,513	135,267	142,651
Gross profit	104,100	118,059	115,762	28,523	24,720
SG&A expense	55,229	63,765	61,836	14,653	13,881
Operating income or (loss)	48,871	54,294	53,927	13,870	10,839
Interest expense	2,354	2,440	4,412	1,129	1,302
All other expenses	***	***	***	***	***
All other income	***	***	***	***	***
Net income or (loss)	***	***	***	***	***
Depreciation/amortization	7,307	8,228	10,049	2,157	2,913
Cash flow	***	***	***	***	***
	Ratio to net sales (percent)				
Cost of goods sold.-- Raw materials	51.1	49.2	50.7	50.2	52.0
Direct labor	11.2	11.7	12.0	11.9	11.8
Other factory costs	20.9	20.9	19.3	20.4	21.5
Average COGS	83.2	81.8	82.0	82.6	85.2
Gross profit	16.8	18.2	18.0	17.4	14.8
SG&A expense	8.9	9.8	9.6	8.9	8.3
Operating income or (loss)	7.9	8.4	8.4	8.5	6.5
Net income or (loss)	***	***	***	***	***
	Ratio to total COGS (percent)				
Cost of goods sold.-- Raw materials	61.4	60.2	61.9	60.8	61.0
Direct labor	13.5	14.3	14.7	14.5	13.8
Other factory costs	25.1	25.5	23.5	24.7	25.2
Average COGS	100.0	100.0	100.0	100.0	100.0

Table continued on next page.

Table VI-1—Continued
Steel racks: Results of operations of U.S. producers, 2015-17, January-March 2017, and January-March 2018

Item	Fiscal year			January to March	
	2015	2016	2017	2017	2018
	Unit value (dollars per pound)				
Total net sales	0.89	0.86	0.87	0.86	0.89
Cost of goods sold.-- Raw materials	0.45	0.42	0.44	0.43	0.46
Direct labor	0.10	0.10	0.10	0.10	0.10
Other factory costs	0.19	0.18	0.17	0.18	0.19
Average COGS	0.74	0.70	0.71	0.71	0.76
Gross profit	0.15	0.16	0.16	0.15	0.13
SG&A expense	0.08	0.08	0.08	0.08	0.07
Operating income or (loss)	0.07	0.07	0.07	0.07	0.06
Net income or (loss)	***	***	***	***	***
	Number of firms reporting				
Operating losses	***	***	***	***	***
Net losses	***	***	***	***	***
Data	10	10	10	10	10

Source: Compiled from data submitted in response to Commission questionnaires.

Table VI-2
FSF: Changes in AUVs, between fiscal years and between partial year periods

Item	Between fiscal years			Between partial year period
	2015-17	2015-16	2016-17	2017-18
	Change in AUVs (dollars per pound)			
Total net sales	(0.023)	(0.033)	0.010	0.027
Cost of goods sold.-- Raw materials	(0.015)	(0.033)	0.018	0.029
Direct labor	0.004	0.000	0.004	0.002
Other factory costs	(0.019)	(0.007)	(0.012)	0.015
Average COGS	(0.030)	(0.040)	0.010	0.046
Gross profit	0.007	0.007	(0.000)	(0.019)
SG&A expense	0.004	0.005	(0.001)	(0.003)
Operating income or (loss)	0.003	0.002	0.001	(0.015)
Net income or (loss)	***	***	***	***

Note.--Values shown as "0.000" represent values greater than zero, but less than "$0.0005" per pound.

Source: Compiled from data submitted in response to Commission questionnaires.

Table VI-3
Steel racks: Results of operations of U.S. producers, by firm, 2015-17, January-March 2017, and January-March 2018

Item	Fiscal year			January to March	
	2015	2016	2017	2017	2018
	Total net sales (1,000 pounds)				
Bulldog	***	***	***	***	***
Elite	***	***	***	***	***
Hannibal	***	***	***	***	***
Husky	***	***	***	***	***
Penco	***	***	***	***	***
Ridg-u-Rak	***	***	***	***	***
SpaceRAK	***	***	***	***	***
Speedrack	***	***	***	***	***
Steel King	***	***	***	***	***
Unarco Material	***	***	***	***	***
Total net sales quantity	698,028	756,992	742,721	189,793	188,122
	Total net sales (1,000 dollars)				
Bulldog	***	***	***	***	***
Elite	***	***	***	***	***
Hannibal	***	***	***	***	***
Husky	***	***	***	***	***
Penco	***	***	***	***	***
Ridg-u-Rak	***	***	***	***	***
SpaceRAK	***	***	***	***	***
Speedrack	***	***	***	***	***
Steel King	***	***	***	***	***
Unarco Material	***	***	***	***	***
Total net sales value	620,536	648,015	643,276	163,789	167,371
	Cost of goods sold (1,000 dollars)				
Bulldog	***	***	***	***	***
Elite	***	***	***	***	***
Hannibal	***	***	***	***	***
Husky	***	***	***	***	***
Penco	***	***	***	***	***
Ridg-u-Rak	***	***	***	***	***
SpaceRAK	***	***	***	***	***
Speedrack	***	***	***	***	***
Steel King	***	***	***	***	***
Unarco Material	***	***	***	***	***
Total COGS	516,436	529,956	527,513	135,267	142,651

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Table VI-3—Continued
Steel racks: Results of operations of U.S. producers, by firm, 2015-17, January-March 2017, and January-March 2018

Item	Fiscal year			January to March	
	2015	2016	2017	2017	2018
	Gross profit or (loss) (1,000 dollars)				
Bulldog	***	***	***	***	***
Elite	***	***	***	***	***
Hannibal	***	***	***	***	***
Husky	***	***	***	***	***
Penco	***	***	***	***	***
Ridg-u-Rak	***	***	***	***	***
SpaceRAK	***	***	***	***	***
Speedrack	***	***	***	***	***
Steel King	***	***	***	***	***
Unarco Material	***	***	***	***	***
Total gross profit or (loss)	104,100	118,059	115,762	28,523	24,720
	SG&A expenses (1,000 dollars)				
Bulldog	***	***	***	***	***
Elite	***	***	***	***	***
Hannibal	***	***	***	***	***
Husky	***	***	***	***	***
Penco	***	***	***	***	***
Ridg-u-Rak	***	***	***	***	***
SpaceRAK	***	***	***	***	***
Speedrack	***	***	***	***	***
Steel King	***	***	***	***	***
Unarco Material	***	***	***	***	***
Total SG&A expenses	55,229	63,765	61,836	14,653	13,881
	Operating income or (loss) (1,000 dollars)				
Bulldog	***	***	***	***	***
Elite	***	***	***	***	***
Hannibal	***	***	***	***	***
Husky	***	***	***	***	***
Penco	***	***	***	***	***
Ridg-u-Rak	***	***	***	***	***
SpaceRAK	***	***	***	***	***
Speedrack	***	***	***	***	***
Steel King	***	***	***	***	***
Unarco Material	***	***	***	***	***
Total operating income or (loss)	48,871	54,294	53,927	13,870	10,839

Table continued on next page.

Table VI-3—Continued
Steel racks: Results of operations of U.S. producers, by firm, 2015-17, January-March 2017, and January-March 2018

Item	Fiscal year			January to March	
	2015	2016	2017	2017	2018
	Net income or (loss) (1,000 dollars)				
Bulldog	***	***	***	***	***
Elite	***	***	***	***	***
Hannibal	***	***	***	***	***
Husky	***	***	***	***	***
Penco	***	***	***	***	***
Ridg-u-Rak	***	***	***	***	***
SpaceRAK	***	***	***	***	***
Speedrack	***	***	***	***	***
Steel King	***	***	***	***	***
Unarco Material	***	***	***	***	***
Total net income or (loss)	***	***	***	***	***
	COGS to net sales ratio (percent)				
Bulldog	***	***	***	***	***
Elite	***	***	***	***	***
Hannibal	***	***	***	***	***
Husky	***	***	***	***	***
Penco	***	***	***	***	***
Ridg-u-Rak	***	***	***	***	***
SpaceRAK	***	***	***	***	***
Speedrack	***	***	***	***	***
Steel King	***	***	***	***	***
Unarco Material	***	***	***	***	***
Average COGS to net sales ratio	83.2	81.8	82.0	82.6	85.2
	Gross profit or (loss) to net sales ratio (percent)				
Bulldog	***	***	***	***	***
Elite	***	***	***	***	***
Hannibal	***	***	***	***	***
Husky	***	***	***	***	***
Penco	***	***	***	***	***
Ridg-u-Rak	***	***	***	***	***
SpaceRAK	***	***	***	***	***
Speedrack	***	***	***	***	***
Steel King	***	***	***	***	***
Unarco Material	***	***	***	***	***
Average gross profit or (loss) to net sales ratio	16.8	18.2	18.0	17.4	14.8

Table continued on next page.

Table VI-3—Continued
Steel racks: Results of operations of U.S. producers, by firm, 2015-17, January-March 2017, and January-March 2018

Item	Fiscal year			January to March	
	2015	2016	2017	2017	2018
	SG&A expense to net sales ratio (percent)				
Bulldog	***	***	***	***	***
Elite	***	***	***	***	***
Hannibal	***	***	***	***	***
Husky	***	***	***	***	***
Penco	***	***	***	***	***
Ridg-u-Rak	***	***	***	***	***
SpaceRAK	***	***	***	***	***
Speedrack	***	***	***	***	***
Steel King	***	***	***	***	***
Unarco Material	***	***	***	***	***
Average SG&A expense to net sales ratio	8.9	9.8	9.6	8.9	8.3
	Operating income or (loss) to net sales ratio (percent)				
Bulldog	***	***	***	***	***
Elite	***	***	***	***	***
Hannibal	***	***	***	***	***
Husky	***	***	***	***	***
Penco	***	***	***	***	***
Ridg-u-Rak	***	***	***	***	***
SpaceRAK	***	***	***	***	***
Speedrack	***	***	***	***	***
Steel King	***	***	***	***	***
Unarco Material	***	***	***	***	***
Average operating income or (loss) to net sales ratio	7.9	8.4	8.4	8.5	6.5
	Net income or (loss) to net sales ratio (percent)				
Bulldog	***	***	***	***	***
Elite	***	***	***	***	***
Hannibal	***	***	***	***	***
Husky	***	***	***	***	***
Penco	***	***	***	***	***
Ridg-u-Rak	***	***	***	***	***
SpaceRAK	***	***	***	***	***
Speedrack	***	***	***	***	***
Steel King	***	***	***	***	***
Unarco Material	***	***	***	***	***
Average net income or (loss) to net sales ratio	***	***	***	***	***

Table continued on next page.

Table VI-3—Continued
Steel racks: Results of operations of U.S. producers, by firm, 2015-17, January-March 2017, and January-March 2018

Item	Fiscal year			January to March	
	2015	2016	2017	2017	2018
	Unit net sales value (dollars per pound)				
Bulldog	***	***	***	***	***
Elite[1]	***	***	***	***	***
Hannibal	***	***	***	***	***
Husky	***	***	***	***	***
Penco[2]	***	***	***	***	***
Ridg-u-Rak	***	***	***	***	***
SpaceRAK	***	***	***	***	***
Speedrack	***	***	***	***	***
Steel King	***	***	***	***	***
Unarco Material	***	***	***	***	***
Average unit net sales value	0.89	0.86	0.87	0.86	0.89
	Unit raw materials (dollars per pound)				
Bulldog	***	***	***	***	***
Elite	***	***	***	***	***
Hannibal	***	***	***	***	***
Husky	***	***	***	***	***
Penco	***	***	***	***	***
Ridg-u-Rak	***	***	***	***	***
SpaceRAK	***	***	***	***	***
Speedrack	***	***	***	***	***
Steel King	***	***	***	***	***
Unarco Material	***	***	***	***	***
Average unit raw materials	0.45	0.42	0.44	0.43	0.46
	Unit direct labor (dollars per pound)				
Bulldog	***	***	***	***	***
Elite	***	***	***	***	***
Hannibal	***	***	***	***	***
Husky	***	***	***	***	***
Penco	***	***	***	***	***
Ridg-u-Rak	***	***	***	***	***
SpaceRAK	***	***	***	***	***
Speedrack	***	***	***	***	***
Steel King	***	***	***	***	***
Unarco Material	***	***	***	***	***
Average unit direct labor	0.10	0.10	0.10	0.10	0.10

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Table VI-3—Continued
Steel racks: Results of operations of U.S. producers, by firm, 2015-17, January-March 2017, and January-March 2018

Item	Fiscal year			January to March	
	2015	2016	2017	2017	2018
	Unit other factory costs (dollars per pound)				
Bulldog	***	***	***	***	***
Elite	***	***	***	***	***
Hannibal	***	***	***	***	***
Husky	***	***	***	***	***
Penco	***	***	***	***	***
Ridg-u-Rak	***	***	***	***	***
SpaceRAK	***	***	***	***	***
Speedrack	***	***	***	***	***
Steel King	***	***	***	***	***
Unarco Material	***	***	***	***	***
Average unit other factory costs	0.19	0.18	0.17	0.18	0.19
	Unit COGS (dollars per pound)				
Bulldog	***	***	***	***	***
Elite	***	***	***	***	***
Hannibal	***	***	***	***	***
Husky	***	***	***	***	***
Penco	***	***	***	***	***
Ridg-u-Rak	***	***	***	***	***
SpaceRAK	***	***	***	***	***
Speedrack	***	***	***	***	***
Steel King	***	***	***	***	***
Unarco Material	***	***	***	***	***
Average unit COGS	0.74	0.70	0.71	0.71	0.76
	Unit gross profit or (loss) (dollars per pound)				
Bulldog	***	***	***	***	***
Elite	***	***	***	***	***
Hannibal	***	***	***	***	***
Husky	***	***	***	***	***
Penco	***	***	***	***	***
Ridg-u-Rak	***	***	***	***	***
SpaceRAK	***	***	***	***	***
Speedrack	***	***	***	***	***
Steel King	***	***	***	***	***
Unarco Material	***	***	***	***	***
Average unit gross profit or (loss)	0.15	0.16	0.16	0.15	0.13

Table continued on next page.

Table VI-3—Continued
Steel racks: Results of operations of U.S. producers, by firm, 2015-17, January-March 2017, and January-March 2018

Item	Fiscal year			January to March	
	2015	2016	2017	2017	2018
	Unit SG&A expenses (dollars per pound)				
Bulldog	***	***	***	***	***
Elite	***	***	***	***	***
Hannibal	***	***	***	***	***
Husky	***	***	***	***	***
Penco	***	***	***	***	***
Ridg-u-Rak	***	***	***	***	***
SpaceRAK	***	***	***	***	***
Speedrack	***	***	***	***	***
Steel King	***	***	***	***	***
Unarco Material	***	***	***	***	***
Average unit SG&A expense	0.08	0.08	0.08	0.08	0.07
	Unit operating income or (loss) (dollars per pound)				
Bulldog	***	***	***	***	***
Elite	***	***	***	***	***
Hannibal	***	***	***	***	***
Husky	***	***	***	***	***
Penco	***	***	***	***	***
Ridg-u-Rak	***	***	***	***	***
SpaceRAK	***	***	***	***	***
Speedrack	***	***	***	***	***
Steel King	***	***	***	***	***
Unarco Material	***	***	***	***	***
Average unit operating income or (loss)	0.07	0.07	0.07	0.07	0.06
	Unit net income or (loss) (dollars per pound)				
Bulldog	***	***	***	***	***
Elite	***	***	***	***	***
Hannibal	***	***	***	***	***
Husky	***	***	***	***	***
Penco	***	***	***	***	***
Ridg-u-Rak	***	***	***	***	***
SpaceRAK	***	***	***	***	***
Speedrack	***	***	***	***	***
Steel King	***	***	***	***	***
Unarco Material	***	***	***	***	***
Average unit net income or (loss)	***	***	***	***	***

[1] ***.
[2] ***.

Source: Compiled from data submitted in response to Commission questionnaires.

Cost of goods sold and gross profit or (loss)

As shown earlier in table VI-1, raw material costs represented the largest component of steel racks cost of goods sold ("COGS") throughout 2015-17 and during both interim periods, accounting for between 60.2 percent (in 2016) and 61.9 percent (in 2017) of total COGS. On an average per pound basis, the U.S. industry's raw material cost was at its highest full-year level in 2015, declined to its lowest level in 2016, and then increased in 2017 but remained below the 2015 level. Between the comparable interim periods, the per-pound value of raw materials was higher in the first quarter of 2018 than in the first quarter of 2017. The majority of companies (*** of 10) reported steel tubing or long products as their largest raw material input. The other *** companies reported that "other steel components" comprised the largest share of their raw material costs.[2] [3]

Other factory costs were the second largest component of COGS, representing between 23.5 percent (in 2017) and 25.5 percent (in 2016) of total COGS. Per-pound other factory costs declined from $0.19 in 2015 to $0.17 in 2017, but were higher in January-March 2018 than in the same period of 2017. Direct labor, the smallest component of COGS, represented between 13.5 percent (in 2015) and 14.7 percent (in 2017) of total COGS. Per-pound direct labor costs remained consistent at $0.10, when rounded to the nearest cent.

Although the per-pound net sales value of steel racks decreased from 2015 to 2017 (by $0.02 per pound), the per-pound COGS decreased to a greater extent (by $0.03 per pound), which led to an increase in the gross profit margin. When comparing the interim periods, the per-pound net sales value was $0.03 higher in the first quarter of 2018 compared to the same period in 2017, however the per-pound COGS was $0.05 higher, which led to a lower gross profit margin in the first quarter of 2018. The industry's gross profit irregularly increased from $104.1 million in 2014 to $115.8 million in 2017, but was lower in the first quarter of 2018 ($24.7 million) than in the first quarter of 2017 ($28.5 million).

SG&A expenses and operating income

The industry's SG&A expenses increased from $55.2 million in 2015 to $61.8 million in 2017, but was lower in interim 2018 ($13.9 million) compared to the same period in 2017 ($14.7 million). The industry's SG&A expense ratio (SG&A expenses as a share of sales) fluctuated within a relatively narrow range between 8.3 percent (interim 2018) and 9.8 percent (2016). On a per-unit basis, SG&A expense remained at $0.08 per pound in all of the annual periods and in January to March 2017, and was $0.07 per pound in January to March 2018. The industry's operating income increased irregularly from $48.9 million in 2015 to $53.9 million 2017. It was lower in interim 2018 ($10.8 million) compared to the same period in 2017 ($13.9 million).

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[2] The ***.

[3] ***.

All other expenses and net income

As seen in table VI-1, the industry's interest expense increased by 87.4 percent from 2015 to 2017 and was 15.2 percent higher in the first quarter of 2018 than in the first quarter of 2017. ***.[4] The industry's reported other expenses increased from $*** in 2015 to $*** in 2017, but was lower in the first quarter of 2018 ($***) than during the same period of 2017 ($***). ***.[5] These increases in interest expense and other expenses caused the industry's net income to have a slightly different directional pattern than gross profit and operating income. While all three profitabilities increased from 2015 to 2016 and decreased from 2016 to 2017, net income was lower in 2017 than in 2015, whereas gross profit and operating income were higher. Between the interim periods, net income followed a similar directional trend as gross profit and operating income, which was lower in the first quarter of 2018 than in the first quarter of 2017.

Variance analysis

A variance analysis for the operations of U.S. producers of steel racks is presented in table VI-4.[6] The information for this variance analysis is derived from table VI-1. The analysis illustrates that from 2015 to 2017, the increase in the industry's operating income was primarily attributable to a favorable net cost/expense variance despite an unfavorable price variance (i.e., costs and expenses decreased more than net sales unit values). Between the comparable interim periods, the decrease in operating income is attributable to a higher unfavorable net cost/expense variance despite a favorable price variance (i.e., costs and expenses increased more than net sales unit values).

[4] ***.

[5] ***.

[6] The Commission's variance analysis is calculated in three parts: Sales variance, cost of sales variance (COGS variance), and SG&A expense variance. Each part consists of a price variance (in the case of the sales variance) or a cost or expense variance (in the case of the COGS and SG&A expense variance), and a volume variance. The sales or cost/expense variance is calculated as the change in unit price or per-unit cost/expense times the new volume, while the volume variance is calculated as the change in volume times the old unit price or per-unit cost/expense. Summarized at the bottom of the table, the price variance is from sales; the cost/expense variance is the sum of those items from COGS and SG&A variances, respectively, and the volume variance is the sum of the volume components of the net sales, COGS, and SG&A expense variances. The overall volume component of the variance analysis is generally small.

Table VI-4
Steel racks: Variance analysis on the operations of U.S. producers, between fiscal years and between partial year periods

Item	Between fiscal years			Between partial year period
	2015-17	2015-16	2016-17	2017-18
	Value (1,000 dollars)			
Net sales:				
Price variance	(16,991)	(24,939)	7,477	5,022
Volume variance	39,731	52,418	(12,216)	(1,441)
Net sales variance	22,740	27,479	(4,739)	3,581
COGS:				
Cost variance	21,989	30,104	(7,548)	(8,574)
Volume variance	(33,066)	(43,624)	9,991	1,190
COGS variance	(11,077)	(13,520)	2,442	(7,384)
Gross profit variance	11,663	13,959	(2,297)	(3,803)
SG&A expenses:				
Cost/expense variance	(3,071)	(3,871)	727	642
Volume variance	(3,536)	(4,665)	1,202	129
Total SG&A expense variance	(6,607)	(8,537)	1,930	771
Operating income variance	5,056	5,423	(367)	(3,032)
Summarized (at the operating income level) as:				
Price variance	(16,991)	(24,939)	7,477	5,022
Net cost/expense variance	18,918	26,233	(6,821)	(7,932)
Net volume variance	3,129	4,128	(1,024)	(122)

Source: Compiled from data submitted in response to Commission questionnaires.

CAPITAL EXPENDITURES AND RESEARCH AND DEVELOPMENT EXPENSES

Table VI-5 presents capital expenditures and research and development ("R&D") expenses by firm. Capital expenditures increased from $12.1 million in 2015 to $34.5 million in 2017, but were lower in the first quarter of 2018 than the same period in 2017. *** accounted for the majority of the increase in reported capital expenditures between 2015 and 2016, which it described as ***.[7] *** accounted for the majority of the increase between 2016 and 2017. ***.[8] *** to report any R&D expenses, which increased from $*** in 2015 to $*** in 2017, but were slightly lower in the first quarter of 2018 compared to the first quarter of 2017.[9]

Table VI-5
Steel racks: Capital expenditures and research and development expenses of U.S. producers, 2015-17, January-March 2017, and January-March 2018

Item	Fiscal year			January to March	
	2015	2016	2017	2017	2018
	Capital expenditures (1,000 dollars)				
Bulldog	***	***	***	***	***
Elite	***	***	***	***	***
Hannibal	***	***	***	***	***
Husky	***	***	***	***	***
Penco	***	***	***	***	***
Ridg-u-Rak	***	***	***	***	***
SpaceRAK	***	***	***	***	***
Speedrack	***	***	***	***	***
Steel King	***	***	***	***	***
Unarco Material	***	***	***	***	***
Total capital expenditures	12,125	16,265	34,473	4,969	4,587
	Research and development expenses (1,000 dollars)				
Bulldog	***	***	***	***	***
Elite	***	***	***	***	***
Hannibal	***	***	***	***	***
Husky	***	***	***	***	***
Penco	***	***	***	***	***
Ridg-u-Rak	***	***	***	***	***
SpaceRAK	***	***	***	***	***
Speedrack	***	***	***	***	***
Steel King	***	***	***	***	***
Unarco Material	***	***	***	***	***
Total R&D expenses	***	***	***	***	***

Source: Compiled from data submitted in response to Commission questionnaires.

[7] ***.
[8] ***.
[9] ***.

ASSETS AND RETURN ON ASSETS

Table VI-6 presents data on the U.S. producers' total assets and their return on assets ("ROA").[10] Total net assets increased from $235.3 million in 2015 to $292.1 million in 2016, and decreased to $288.2 million in 2017. While *** responding U.S. producers reported an increase in net assets from 2015 to 2017, *** accounted for the largest company-specific increase.[11] In response to questions by staff, ***.[12] ***.[13] The industry's ROA decreased from 20.8 percent in 2015 to 18.6 percent in 2016 before increasing slightly to 18.7 percent in 2017.

Table VI-6
Steel racks: U.S. producers' total assets and return on assets, 2015-17

Firm	Fiscal year		
	2015	2016	2017
	Total net assets (1,000 dollars)		
Bulldog	***	***	***
Elite	***	***	***
Hannibal	***	***	***
Husky	***	***	***
Penco	***	***	***
Ridg-u-Rak	***	***	***
SpaceRAK	***	***	***
Speedrack	***	***	***
Steel King	***	***	***
Unarco Material	***	***	***
Total net assets	235,317	292,081	288,199
	Operating return on assets (percent)		
Bulldog	***	***	***
Elite	***	***	***
Hannibal	***	***	***
Husky	***	***	***
Penco	***	***	***
Ridg-u-Rak	***	***	***
SpaceRAK	***	***	***
Speedrack	***	***	***
Steel King	***	***	***
Unarco Material	***	***	***
Average operating return on assets	20.8	18.6	18.7

Source: Compiled from data submitted in response to Commission questionnaires.

[10] With respect to a company's overall operations, staff notes that a total asset value (i.e., the bottom line number on the asset side of a company's balance sheet) reflects high-level allocation factors and estimates may have been required in order to report a total asset value for steel racks.

[11] *** responding U.S. producers reported an increase in net assets from 2015 to 2016, while *** reported a decrease in net assets from 2016 to 2017.

[12] ***.

[13] ***.

CAPITAL AND INVESTMENT

The Commission requested U.S. producers of steel racks to describe any actual or potential negative effects of imports of steel racks from China on their firms' growth, investment, ability to raise capital, development and production efforts, or the scale of capital investments. Table VI-7 presents the number of firms reporting an impact in each category and table VI-8 provides the U.S. producers' narrative responses.

Table VI-7
Steel racks: Actual and anticipated negative effects of imports on investment, growth, and development, since January 1, 2015[1]

Item	No	Yes
Negative effects on investment	2	7
Cancellation, postponement, or rejection of expansion projects		***
Denial or rejection of investment proposal		***
Reduction in the size of capital investments		***
Return on specific investments negatively impacted		***
Other		***
Negative effects on growth and development	2	7
Rejection of bank loans		***
Lowering of credit rating		***
Problem related to the issue of stocks or bonds		***
Ability to service debt		***
Other		***
Anticipated negative effects of imports	0	9

[1] *** did not respond to these questions. *** responded "no" to negative effects on investment, while *** responded "no" to negative effects on growth and development.

Source: Compiled from data submitted in response to Commission questionnaires.

Table VI-8
Steel racks: Narratives relating to actual and anticipated negative effects of imports on investment and growth and development, since January 1, 2015

* * * * * * *

PART VII: THREAT CONSIDERATIONS AND INFORMATION ON NONSUBJECT COUNTRIES

Section 771(7)(F)(i) of the Act (19 U.S.C. § 1677(7)(F)(i)) provides that—

> *In determining whether an industry in the United States is threatened with material injury by reason of imports (or sales for importation) of the subject merchandise, the Commission shall consider, among other relevant economic factors*[1]*--*
>
> *(I) if a countervailable subsidy is involved, such information as may be presented to it by the administering authority as to the nature of the subsidy (particularly as to whether the countervailable subsidy is a subsidy described in Article 3 or 6.1 of the Subsidies Agreement), and whether imports of the subject merchandise are likely to increase,*
>
> *(II) any existing unused production capacity or imminent, substantial increase in production capacity in the exporting country indicating the likelihood of substantially increased imports of the subject merchandise into the United States, taking into account the availability of other export markets to absorb any additional exports,*
>
> *(III) a significant rate of increase of the volume or market penetration of imports of the subject merchandise indicating the likelihood of substantially increased imports,*
>
> *(IV) whether imports of the subject merchandise are entering at prices that are likely to have a significant depressing or suppressing effect on domestic prices, and are likely to increase demand for further imports,*
>
> *(V) inventories of the subject merchandise,*

---

[1] Section 771(7)(F)(ii) of the Act (19 U.S.C. § 1677(7)(F)(ii)) provides that "The Commission shall consider {these factors} . . . as a whole in making a determination of whether further dumped or subsidized imports are imminent and whether material injury by reason of imports would occur unless an order is issued or a suspension agreement is accepted under this title. The presence or absence of any factor which the Commission is required to consider . . . shall not necessarily give decisive guidance with respect to the determination. Such a determination may not be made on the basis of mere conjecture or supposition."

(VI) the potential for product-shifting if production facilities in the foreign country, which can be used to produce the subject merchandise, are currently being used to produce other products,

(VII) in any investigation under this title which involves imports of both a raw agricultural product (within the meaning of paragraph (4)(E)(iv)) and any product processed from such raw agricultural product, the likelihood that there will be increased imports, by reason of product shifting, if there is an affirmative determination by the Commission under section 705(b)(1) or 735(b)(1) with respect to either the raw agricultural product or the processed agricultural product (but not both),

(VIII) the actual and potential negative effects on the existing development and production efforts of the domestic industry, including efforts to develop a derivative or more advanced version of the domestic like product, and

(IX) any other demonstrable adverse trends that indicate the probability that there is likely to be material injury by reason of imports (or sale for importation) of the subject merchandise (whether or not it is actually being imported at the time).[2]

Information on the nature of the alleged subsidies was presented earlier in this report; information on the volume and pricing of imports of the subject merchandise is presented in *Parts IV* and *V*; and information on the effects of imports of the subject merchandise on U.S. producers' existing development and production efforts is presented in *Part VI*. Information on inventories of the subject merchandise; foreign producers' operations, including the potential for "product-shifting;" any other threat indicators, if applicable; and any dumping in third-country markets, follows. Also presented in this section of the report is information obtained for consideration by the Commission on nonsubject countries.

[2] Section 771(7)(F)(iii) of the Act (19 U.S.C. § 1677(7)(F)(iii)) further provides that, in antidumping investigations, ". . . the Commission shall consider whether dumping in the markets of foreign countries (as evidenced by dumping findings or antidumping remedies in other WTO member markets against the same class or kind of merchandise manufactured or exported by the same party as under investigation) suggests a threat of material injury to the domestic industry."

THE INDUSTRY IN CHINA

The Commission issued foreign producers' or exporters' questionnaires to 51 firms believed to produce and/or export steel racks from China.[3] Usable responses to the Commission's questionnaire were received from five firms: Nanjing Dongsheng Shelf Manufacturing Co., Ltd ("Dongsheng Shelf"); Huade; Inform Storage; Kingmore; and Ningbo Xinguang Rack Co., Ltd ("Xinguang Rack"). According to Chinese producers' estimates, these firms' exports to the United States accounted for virtually of U.S. imports of steel racks from China in 2017. According to estimates requested of the responding Chinese producers, the production of steel racks in China reported in questionnaires accounts for virtually all of overall production of steel racks in China. Table VII-1 presents information on the steel rack operations of the responding producers and exporters in China.

Table VII-1
Steel racks: Summary data for producers in China, 2017

Firm	Production (1,000 pounds)	Share of reported production (percent)	Exports to the United States (1,000 pounds)	Share of reported exports to the United States (percent)	Total shipments (1,000 pounds)	Share of firm's total shipments exported to the United States (percent)
Dongsheng Shelf	***	***	***	***	***	***
Huade Rack	***	***	***	***	***	***
Inform Storage	***	***	***	***	***	***
Kingmore Storage	***	***	***	***	***	***
Xinguang Rack	***	***	***	***	***	***
Total	303,764	100.0	88,136	100.0	308,207	28.6

Source: Compiled from data submitted in response to Commission questionnaires.

Changes in operations

As presented in table VII-2 producers in China reported operational and organizational changes since January 1, 2015. ***.

[3] These firms were identified through a review of information submitted in the petition and contained in *** records.

Table VII-2
Steel racks: Chinese producers' reported changes in operations, since January 1, 2015

* * * * * * *

Operations on steel racks

Table VII-3 presents information on the steel rack operations of the responding producers and exporters in China. Capacity in China increased by 37.6 percent from 2015 to 2017 and was higher in January to March 2018 than January to March 2017. Capacity is also projected to further increase in 2018 and again in 2019. At the same time, production increased by 55.5 percent from 2015 to 2017 and was higher in January to March 2018 than January to March 2017. Like capacity, production is projected to further increase in 2018 and again in 2019. Along with increased capacity and production, capacity utilization increased by 9.8 percentage points from 2015 to 2017. Total home market shipments decreased from 53.7 percent of total shipments in 2015 to 50.5 percent of total shipments in 2017, reflecting a decrease in commercial home market shipments. In contrast, the share of export shipments to the U.S. increased from 19.8 percent in 2015 to 28.6 percent in 2017.

Table VII-3
Steel racks: Data for producers in China, 2015-17, January to March 2017, January to March 2018, and projection calendar years 2018 and 2019

Item	Actual experience					Projections	
	Calendar year			January to March		Calendar year	
	2015	2016	2017	2017	2018	2018	2019
	Quantity (1,000 pounds)						
Capacity	256,260	319,143	352,748	72,693	84,815	364,003	387,554
Production	195,400	263,668	303,764	53,601	62,806	310,483	331,167
End-of-period inventories	***	***	***	***	***	***	***
Shipments:							
Home market shipments:							
Internal consumption/ transfers	***	***	***	***	***	***	***
Commercial home market shipments	68,797	79,205	93,182	19,478	24,315	117,209	132,808
Total home market shipments	107,315	129,676	155,608	20,944	25,708	182,875	195,784
Export shipments to:							
United States	39,620	76,709	88,136	19,311	19,824	79,194	81,661
All other markets	52,963	61,779	64,463	14,471	18,246	52,350	58,172
Total exports	92,584	138,488	152,599	33,782	38,071	131,544	139,833
Total shipments	***	***	***	***	***	***	***
	Ratios and shares (percent)						
Capacity utilization	76.3	82.6	86.1	73.7	74.1	85.3	85.5
Inventories/production	***	***	***	***	***	***	***
Inventories/total shipments	***	***	***	***	***	***	***
Share of shipments:							
Home market shipments:							
Internal consumption/ transfers	***	***	***	***	***	***	***
Commercial home market shipments	***	***	***	***	***	***	***
Total home market shipments	***	***	***	***	***	***	***
Export shipments to:							
United States	***	***	***	***	***	***	***
All other markets	***	***	***	***	***	***	***
Total exports	***	***	***	***	***	***	***
Total shipments	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Compiled from data submitted in response to Commission questionnaires.

Alternative products

As shown in table VII-4, responding Chinese firms produced other products on the same equipment and machinery used to produce steel racks. Nearly *** production capacity was devoted to in-scope steel racks. Out-of-scope production accounted for less than *** percent of total production from 2015 to 2017.

Table VII-4
Steel racks: Chinese producers' overall capacity and production on the same equipment as subject production, 2015-2017, January to March 2017, and January to March 2018

Item	Calendar year			January to March	
	2015	2016	2017	2017	2018
	Quantity (1,000 pounds)				
Overall capacity	258,366	320,385	354,993	73,429	86,061
Production:					
Steel racks	195,400	263,668	303,764	53,601	62,806
Out-of-scope production	***	***	***	***	***
Total production on same machinery	***	***	***	***	***
	Ratios and shares (percent)				
Overall capacity utilization	***	***	***	***	***
Share of production:					
Steel racks	***	***	***	***	***
Out-of-scope production	***	***	***	***	***
Total production on same machinery	100.0	100.0	100.0	100.0	100.0

Source: Compiled from data submitted in response to Commission questionnaires.

U.S. INVENTORIES OF IMPORTED MERCHANDISE

Table VII-5 presents data on U.S. importers' reported inventories of steel racks. Inventories of U.S. imports from China increased from *** pounds in 2015 to *** pounds in 2016 before decreasing to *** pounds in 2017. Compared to subject imports, inventories decreased from the equivalent of *** percent of subject imports in 2015 to *** percent of subject imports in 2017. Similarly, ratios of inventories of subject imports to U.S. shipments of imports decreased from *** percent in 2015 to *** percent in 2017.

Table VII-5
Steel racks: U.S. importers' inventories, 2015-17, January to March 2017, and January to March 2018

Item	Calendar year			January to March	
	2015	2016	2017	2017	2018
	Inventories (1,000 pounds); Ratios (percent)				
Imports from China					
Inventories	11,787	14,079	9,262	16,950	17,138
Ratio to U.S. imports	34.3	26.6	15.1	22.8	19.5
Ratio to U.S. shipments of imports	40.8	27.9	14.1	27.2	20.6
Ratio to total shipments of imports	40.6	27.8	14.0	27.1	20.5
Imports from nonsubject sources:					
Inventories	***	***	***	***	***
Ratio to U.S. imports	***	***	***	***	***
Ratio to U.S. shipments of imports	***	***	***	***	***
Ratio to total shipments of imports	***	***	***	***	***
Imports from all import sources:					
Inventories	***	***	***	***	***
Ratio to U.S. imports	***	***	***	***	***
Ratio to U.S. shipments of imports	***	***	***	***	***
Ratio to total shipments of imports	***	***	***	***	***

Source: Compiled from data submitted in response to Commission questionnaires.

U.S. IMPORTERS' OUTSTANDING ORDERS

The Commission requested importers to indicate whether they imported or arranged for the importation of steel racks from China and all other sources after March 31. 2018. Table VII-6 presents data on arranged imports. Responding importers reported 49.6 million pounds of arranged imports of steel racks from China and *** pounds of arranged imports of steel racks from nonsubject sources during 2018.

Table VII-6
Steel racks: Arranged imports, April 2018 through March 2019

Item	Period				
	Apr-Jun 2018	Jul-Sept 2018	Oct-Dec 2018	Jan-Mar 2019	Total
	Quantity (1,000 pounds)				
Arranged U.S. imports from.-					
China	24,975	24,222	291	150	49,638
Nonsubject sources	***	***	***	***	***
All import sources	***	***	***	***	***

Source: Compiled from data submitted in response to Commission questionnaires.

ANTIDUMPING OR COUNTERVAILING DUTY ORDERS IN THIRD-COUNTRY MARKETS

On June 18, 2018, the Australian Anti-dumping Commission ("AADC") issued preliminary affirmative antidumping determinations on steel pallet racking[4] exported from China[5] and Malaysia, to prevent material injury to the Australian industry while the investigation continues.[6]

INFORMATION ON NONSUBJECT COUNTRIES

Information about global exports by nonsubject countries is not readily available, in part because steel racks enter the U.S. market under HTS subheadings that include numerous other products of iron or steel, of which the portion that is the in-scope product is not known.

The AADC identified five Australian firms that produce steel pallet racking.[7] A witness for U.S. producer Ridge-U-Rak testified that some steel racks are periodically imported from Canada,[8] and a witness for importer UMH testified that some steel racks are imported from Mexico. The UMH witness also cited Interlake and Frazier among the importers of product from nonsubject countries, primarily Mexico.[9] Importer *** reported importing from ***, ***, and ***.[10]

---

[4] The goods subject to this investigation are described as: "*Steel pallet racking or part thereof, assembled or unassembled, of dimensions that can be adjusted as required (with or without licking tabs and/or lots, and/or bolted or clamped connections), including any of the following— beams, uprights (up to 12 meters) and brace (with or without nuts and bolts*." AADC, "Steel Pallet Racking Exported from the People's Republic of China and Malaysia, Preliminary Affirmative Determination and Imposition of Securities," Anti-dumping Notice No. 2018/87, Canberra: Australian Government, Department of Industry, Innovation and Science, June 18, 2018, p. 1. Petitioner's postconference brief, exhibit 14.

[5] Preliminary antidumping margins of 12.0-74.4 percent were assigned to responding Chinese exporters and of 109.1 percent to non-responding Chinese exporters. Ibid., pp. 6 and 10.

[6] Ibid., p. 3.

[7] The five Australian manufacturers are: APC Storage Solutions Pty. Ltd., Brownbuilt Pty. Ltd., Macrack (Australia) Pty. Ltd., Noble Trading Manufacturing Pty. Ltd., and Spacerack. Ibid., pp. 4-5.

[8] Conference transcript, p. 85 (Olson).

[9] Conference transcript pp. 122-123 (R. Bartlett). ***. Staff telephone interviews with *** and ***.

Interlake has two production facilities, located in Tijuana (across from San Diego, CA) and Matamoros (in the northeastern state of Tamaulipas, across from Brownsville at the southern tip of Texas). Interlake, "The Group's Position in the World," 2018.

Frazier has two production facilities, located in Mexicali (in the northwestern state of Baja California Norte, across from Calexico and El Centro, CA,) and in Monterrey (in the northeastern state of Nuevo León).

Two other Mexican producers are ESTRAL Rack Manufacture, with a production facility located in San Nicolás de los Garza (in Nuevo León) and Rack USA/Nechochea, with a production facility located in Gomez Palácio (in the northwestern state of Durango). Staff e-mail correspondence with ***.

[10] *** importer questionnaire response.

APPENDIX A

FEDERAL REGISTER NOTICES

The Commission makes available notices relevant to its investigations and reviews on its website, www.usitc.gov. In addition, the following tabulation presents, in chronological order, *Federal Register* notices issued by the Commission and Commerce during the current proceeding.

Citation	Title	Link
83 FR 29822 June 20, 2018	*Steel Racks From China; Institution of Antidumping and Countervailing Duty Investigations and Scheduling of Preliminary Phase Investigations*	https://www.gpo.gov/fdsys/pkg/FR-2018-06-26/pdf/2018-13727.pdf
83 FR 33195 July 17, 2018	*Steel Racks From the People's Republic of China: Initiation of Less-Than-Fair-Value Investigation*	https://www.gpo.gov/fdsys/pkg/FR-2018-07-17/pdf/2018-15225.pdf
83 FR 33201 July 17, 2018	*Certain Steel Racks From the People's Republic: Initiation of Countervailing Duty Investigation*	https://www.gpo.gov/fdsys/pkg/FR-2018-07-17/pdf/2018-15224.pdf

APPENDIX B

LIST OF STAFF CONFERENCE WITNESSES

CALENDAR OF PUBLIC PRELIMINARY CONFERENCE

Those listed below appeared as witnesses at the United States International Trade Commission's preliminary conference:

Subject: Steel Racks from China

Inv. Nos.: 701-TA-608 and 731-TA-1420 (Preliminary)

Date and Time: July 11, 2018 - 9:30 a.m.

Sessions were held in connection with these preliminary phase investigations in the Main Hearing Room (Room 101), 500 E Street, SW., Washington, DC.

OPENING REMARKS:

In Support of Imposition (**Christopher T. Cloutier**, Schagrin Associates)
In Opposition to Imposition (**Gregory S. Menegaz**, DeKieffer & Horgan, PLLC)

In Support of the Imposition of
Antidumping and Countervailing Duty Orders:

Schagrin Associates
Washington, DC
on behalf of

Coalition for Fair Rack Imports

Jay Anderson, President, Steel King Industries, Inc.

Blanton Bartlett, President, Hannibal Industries, Inc.

Pat Peplowski, Chief Executive Officer, Heartland Steel Products

Paul Neal, Vice President of Sales, UNARCO Material Handling, Inc.

Dave Olson, National Sales & Marketing Manager, Ridg-U-Rak

Roger B. Schagrin)
Christopher T. Cloutier) – OF COUNSEL
Elizabeth J. Drake)

In Opposition to the Imposition of
Antidumping and Countervailing Duty Orders:

Husch Blackwell LLP
Washington, DC
on behalf of

JS Products, Inc.

Jared Hanlon, Project Manager, JS Products, Inc.

Nithya Nagarajan)
) – OF COUNSEL
Stephen Brophy)

DeKieffer & Horgan, PLLC
Washington, DC
on behalf of

United Materials Handling, Inc.

Ryan Bartlett, President, United Materials Handling, Inc.

Gregory S. Menegaz) – OF COUNSEL

REBUTTAL/CLOSING REMARKS:

In Support of Imposition (**Elizabeth J. Drake**, Schagrin Associates)
In Opposition to Imposition (**Gregory S. Menegaz**, DeKieffer & Horgan, PLLC)

-END-

APPENDIX C

SUMMARY DATA

Table C-1
Steel racks: Summary data concerning the U.S. market, 2015-17, January to March 2017, and January to March 2018
(Quantity=1,000 pounds; Value=1,000 dollars; Unit values, unit labor costs, and unit expenses=dollars per pound; Period changes=percent--exceptions noted)

	Reported data					Period changes			
	Calendar year			January to March		Calendar year			Jan-Mar
	2015	2016	2017	2017	2018	2015-17	2015-16	2016-17	2017-18
U.S. consumption quantity:									
Amount	***	***	***	***	***	***	***	***	***
Producers' share (fn1)	***	***	***	***	***	***	***	***	***
Importers' share (fn1):									
China	***	***	***	***	***	***	***	***	***
Nonsubject sources	***	***	***	***	***	***	***	***	***
All import sources	***	***	***	***	***	***	***	***	***
U.S. consumption value:									
Amount	***	***	***	***	***	***	***	***	***
Producers' share (fn1)	***	***	***	***	***	***	***	***	***
Importers' share (fn1):									
China	***	***	***	***	***	***	***	***	***
Nonsubject sources	***	***	***	***	***	***	***	***	***
All import sources	***	***	***	***	***	***	***	***	***
U.S. imports from.--									
China:									
Quantity	39,620	76,709	88,136	19,311	19,824	122.5	93.6	14.9	2.7
Value	18,547	36,903	44,146	9,204	11,899	138.0	99.0	19.6	29.3
Unit value	$0.47	$0.48	$0.50	$0.48	$0.60	7.0	2.8	4.1	25.9
Ending inventory quantity	11,787	14,079	9,262	16,950	17,138	(21.4)	19.4	(34.2)	1.1
Nonsubject sources:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***
All import sources:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***
U.S. producers':									
Average capacity quantity	***	***	***	***	***	***	***	***	***
Production quantity	***	***	***	***	***	***	***	***	***
Capacity utilization (fn1)	***	***	***	***	***	***	***	***	***
U.S. shipments:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Export shipments:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Channels of distribution:									
to distributors	***	***	***	***	***	***	***	***	***
to end users	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Inventories/total shipments (fn1)	***	***	***	***	***	***	***	***	***
Production workers	***	***	***	***	***	***	***	***	***
Hours worked (1,000s)	***	***	***	***	***	***	***	***	***
Wages paid ($1,000)	***	***	***	***	***	***	***	***	***
Hourly wages (dollars per hour)	***	***	***	***	***	***	***	***	***
Productivity (pounds per hour)	***	***	***	***	***	***	***	***	***
Unit labor costs	***	***	***	***	***	***	***	***	***
Net sales:									
Quantity	698,028	756,992	742,721	189,793	188,122	6.4	8.4	(1.9)	(0.9)
Value	620,536	648,015	643,276	163,789	167,371	3.7	4.4	(0.7)	2.2
Unit value	$0.89	$0.86	$0.87	$0.86	$0.89	(2.6)	(3.7)	1.2	3.1
Cost of goods sold (COGS)	516,436	529,956	527,513	135,267	142,651	2.1	2.6	(0.5)	5.5
Gross profit or (loss)	104,100	118,059	115,762	28,523	24,720	11.2	13.4	(1.9)	(13.3)
SG&A expenses	55,229	63,765	61,836	14,653	13,881	12.0	15.5	(3.0)	(5.3)
Operating income or (loss)	48,871	54,294	53,927	13,870	10,839	10.3	11.1	(0.7)	(21.9)
Net income or (loss)	***	***	***	***	***	***	***	***	***
Capital expenditures	12,125	16,265	34,473	4,969	4,587	184.3	34.2	111.9	(7.7)
Unit COGS	$0.74	$0.70	$0.71	$0.71	$0.76	(4.0)	(5.4)	1.5	6.4
Unit SG&A expenses	$0.08	$0.08	$0.08	$0.08	$0.07	5.2	6.5	(1.2)	(4.4)
Unit operating income or (loss)	$0.07	$0.07	$0.07	$0.07	$0.06	3.7	2.4	1.2	(21.2)
Unit net income or (loss)	***	***	***	***	***	***	***	***	***
COGS/sales (fn1)	83.2	81.8	82.0	82.6	85.2	(1.2)	(1.4)	0.2	2.6
Operating income or (loss)/sales (fn1)	7.9	8.4	8.4	8.5	6.5	0.5	0.5	0.0	(2.0)
Net income or (loss)/sales (fn1)	***	***	***	***	***	***	***	***	***

Notes:

fn1.--Reported data are in percent and period changes are in percentage points.
fn2.--Undefined.

Note.--Shares and ratios shown as "0.0" represent values greater than zero, but less than "0.05" percent. Note this table include late responding U.S. producers *** for all items except financial data.

Source: Compiled from data submitted in response to Commission questionnaires.